



## HOVEDSTADSREGIONENS NATURGAS I/S

*(a Partnership established under the laws of the Kingdom of Denmark)*

**(as Issuer)**

and



**NATURGAS  
MIDT-NORD**

## NATURGAS MIDT-NORD I/S

*(a Partnership established under the laws of the Kingdom of Denmark)*

**(as Issuer)**

### U.S.\$750,000,000

## Euro Medium Term Note Programme

On 7th November, 1997, Hovedstadsregionens Naturgas I/S ("**HNG**") entered into a U.S.\$750,000,000 Euro Medium Term Note Programme. This Prospectus constitutes two base prospectuses for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**"), the base prospectus for HNG in respect of non-equity securities within the meaning of Article 22 no.6(4) of Commission Regulation (EC) No. 809/2004 of 29th April, 2004 (the "**Notes**") issued by HNG under this U.S.\$750,000,000 Euro Medium Term Note Programme (the "**Programme**"), and the base prospectus for Naturgas Midt-Nord I/S ("**NGMN**") in respect of Notes to be issued by NGMN under this Programme (together, the "**Prospectus**"). This Prospectus supersedes any previous Prospectus in relation to such programme. Under the Programme HNG and Naturgas Midt-Nord I/S (each an "**Issuer**" and together the "**Issuers**") may from time to time issue Notes denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). Any Notes issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes issued by HNG or NGMN already in issue.

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$750,000,000 (or its equivalent in other currencies calculated as described herein) subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "**General Description of the Programme**" and any additional Dealer appointed under the Programme from time to time by an Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue of Notes or on an ongoing basis. References in this Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".**

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme described in the Prospectus to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Application has also been made to the Commission de Surveillance du Secteur Finances (the "**CSSF**") in its capacity as competent authority (the "**Competent Authority**") under the Luxembourg Act dated 10th July 2005 relating to prospectuses for securities for approval of this Prospectus. Under the Luxembourg Act relating to prospectuses for securities which implements the Prospectus Directive, prospectuses relating to money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions of Part II of such law. References in this Prospectus to Notes which intend to be "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been listed on the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes (if any), the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**") of Notes will be set out in a Final Terms supplement (the "**Final Terms**") which, with respect to Notes to be listed on the Luxembourg Stock Exchange will be filed with the CSSF on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the relevant Issuer and the relevant Dealer. Each Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "**Form of the Notes**" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "**Subscription and Sale**".

The Issuers may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

**Citigroup**

Dealers

**BNP PARIBAS**

**Daiwa Securities SMBC Europe**

**Lehman Brothers**

**Mizuho International plc**

**UBS Investment Bank**

**Citigroup**

**Deutsche Bank**

**Merrill Lynch International**

**Nomura International**

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

Each Issuer, having made all reasonable enquiries, confirms that this Prospectus contains or incorporates all information which is material in the context of the issuance and offering of Notes, that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuers in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers in connection with the Programme.

No person is or has been authorised by the Issuers to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by either Issuer or any of the Dealers.

Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of each Issuer. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In

particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and The Kingdom of Denmark) and Japan, see “*Subscription and Sale*”.

In making an investment decision, investors must rely on their own examination of each Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Dealers or the Issuers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

All references in this document to “*U.S. dollars*”, “*U.S.\$*” and “*\$*” refer to the currency of the United States of America, all references to Danish Kroner and DKK refer to the currency of The Kingdom of Denmark and all references to Swiss Francs and CHF refer to the currency of Switzerland. In addition, all references to “*Sterling*” and “*£*” refer to the currency of the United Kingdom and “*euro*” and “*€*” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

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**In connection with the issue and distribution of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s) in the applicable Final Terms may over-allot (provided that, in the case of any Tranche of Notes to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of 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 relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.**

## GENERAL DESCRIPTION OF THE PROGRAMME

*Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.*

Issuers:	Hovedstadsregionens Naturgas I/S Naturgas Midt-Nord I/S
Description:	Euro Medium Term Note Programme
Arranger:	Citigroup Global Markets Limited
Dealers:	BNP Paribas Citigroup Global Markets Limited Daiwa Securities SMBC Europe Limited Deutsche Bank AG, London Branch Lehman Brothers International (Europe) Mizuho International plc Merrill Lynch International Nomura International plc UBS Limited  and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Prospectus.  <b>Notes having a maturity of less than one year</b> Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “ <i>Subscription and Sale</i> ”.
Issuing and Principal Paying Agent:	Deutsche Bank AG, London Branch and/or such other agent(s) specified in the applicable Final Terms.
Registrar:	Deutsche Bank Luxembourg S.A.
Programme Size:	Up to U.S.\$750,000,000 provided that HNG shall not issue more than U.S.\$500,000,000 and NGMN shall not issue more than U.S.\$250,000,000 (or the equivalent amounts in other currencies as described in the Programme Agreement) outstanding at any time. The Issuers may jointly increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed

or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Notes may be issued in bearer form only, in bearer form exchangeable for Notes in registered form or in registered form only.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"><li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li><li>(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li><li>(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.</li></ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.</p>
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.



The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see “*Certain Restrictions – Notes having a maturity of less than one year*” above.

Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “ <i>Certain Restrictions – Notes having a maturity of less than one year</i> ” above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive will be €50,000 (or if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 9. In the event that any such deduction is made, the relevant Issuer will, save in certain limited circumstances provided in Condition 9, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 11.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
Rating:	The rating of the Notes to be issued under the Programme will be specified in the applicable Final Terms.
Listing and admission to trading:	<p>Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.</p> <p>Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Law:	The Notes will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom, and The Kingdom of Denmark) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.

## RISK FACTORS

*Each Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither Issuer is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither Issuer represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuers' ability to fulfil their obligations under Notes issued under the Programme**

#### ***The level of operating expenses of HNG and NGMN***

The DONG 2003 Agreement secures HNG and NGMN minimum revenue from distributing gas to the consumers. Please see the Business Description regarding "Agreements with DONG".

However, the operating expenses of HNG and NGMN are not secured by the DONG 2003 Agreement if the operation of the businesses is not efficient.

The distribution of gas is required to take place in accordance with public tariffs set out on a non-discriminatory basis. The tariffs are to cover distribution only and are set by HNG and NGMN. The Danish Energy Regulatory Authority, "Energisynet" (the "DERA"), a governmental entity, is to control tariffs and terms for the distribution of gas. In particular, the DERA must ensure that tariffs are fair and that operation of the monopolistic parts of the Danish Natural Gas Sector, such as distribution, is efficient. Accordingly, HNG and NGMN are entitled to set the tariffs to cover their costs to the extent the DERA finds that HNG and NGMN meets the requirement to run the operations efficiently.

The consumers of natural gas are entitled to challenge the size of the tariffs with the DERA where the tariffs from a consumer's point of view have been set too high. The DERA may in such event find that the businesses of HNG and NGMN no longer meet the efficiency requirements. Reference is made to the Business Description under "Regulation of Tariffs".

#### ***Interest rate risk and currency risk***

HNG and NGMN have entered into swap agreements with the Kingdom of Denmark for the period of 2006-2010. The agreements include an interest rate guarantee from the Kingdom of Denmark for the above period as further described in the Business Description regarding "Agreements with DONG", "Description of Hovedstadsregionens Naturgas I/S" and "Description of Naturgas Midt-Nord I/S".

For the years following 2010 (to the extent the businesses have floating-rate debt after 2010), HNG and NGMN will have an interest rate risk regarding their floating-rate debt. Based on the business plans and the DONG 2003 agreement the financial debt is to be continuously repaid and will be reduced to below DKK 3 billion for HNG and NGMN in total by the end of 2010.

In 2006-2010 the two businesses may have a marginal interest rate risk as the notional of the swap agreement with the Kingdom of Denmark may differ slightly from the actual levels of debt.

Up to 20 per cent. of the outstanding debt of HNG and NGMN can be in currencies other than DKK and EUR (mainly CHF) and the two businesses may suffer a loss due to changes in exchange rates in foreign currencies. For further information, please see the Business Description regarding "Description of Hovedstadsregionens Naturgas I/S" and "Description of Naturgas Midt-Nord I/S" in the Business Description and the Annual Reports 2005 of HNG and NGMN.

#### ***A very unusual high number of warm years***

In case of a year with temperatures above average the operating costs of the two companies might not be covered by the tariffs as the revenue will decrease due to a decrease in the gas-consumption. In such situation the DONG 2003 Agreement that secures HNG and NGMN minimum revenue from distributing gas to the consumers applies as described in the Business Description regarding "The Framework of the Natural Gas Industry" and HNG and NGMN.



HNG and NGMN have the right to raise tariffs in the next year to ensure that the revenues cover the operation costs. Should the increase in the average temperature continue each year and should the new higher tariffs thus be insufficient to cover the operation costs the DONG 2003 Agreement will apply to ensure HNG and NGMN minimum revenue.

However, if such increase in the average temperature continues for a number of years the limit of the revenue guarantee of DKK 300 million (as reduced every year as of 1st January 2006) may be reached and HNG and NGMN might suffer from deficits.

HNG and NGMN however have the right to raise the tariffs in the next year to ensure that the revenues cover both the operation costs of the current year and the deficits of the previous year.

***HNG and NGMN have joint and several liability for Handel A/S' and Salg A/S' obligations according to the transferred parts of the DONG 2003 Agreement***

As a result of the deregulation of the Danish Gas Sector, the DONG 2003 Agreement has been split up between HNG, NGMN, Handel A/S and Salg A/S as described in the Business Description regarding "Deregulation of the Market for Natural Gas and Separation of Monopolistic and Commercial Activities".

Handel A/S and Salg A/S are Danish public limited companies and HNG and NGMN have joint and several liabilities for the obligations that were transferred to these companies.

Should Handel A/S and Salg A/S in the future be unable to meet the obligations of the transferred part of the DONG 2003 Agreement, HNG and NGMN may suffer a loss.

Handel A/S and Salg A/S offer their customers fixed-price contracts, according to which customers can buy gas at a fixed price regardless of fluctuations in the actual price of natural gas. Fixed-price contracts can be agreed for a period of up to 30 months.

Handel A/S and Salg A/S use derivative instruments to cover their risk on these fixed-price contracts. The cover of risk is based on the estimated consumption of gas from customers with fixed-price contracts. Consequently, Salg A/S and Handel A/S have a marginal risk on the price of natural gas because the estimated consumption of gas may differ from the actual consumption of gas. Therefore Salg A/S and Handel A/S may suffer a loss due to changes in the price of gas.

The sale of gas to customers with fixed-price contracts is within the frame of the DONG 2003 Agreement. Accordingly, should severe losses be suffered under the derivatives related to the fixed-price contracts leading to a bankruptcy for Handel A/S or Salg A/S, HNG and NGMN may suffer a loss. The risk of such consequences of fixed-price contracts are however considered to be unlikely.

***Customers switch to other kinds of energy in accordance with the Danish Heat Supply Act***

Subject to changes in the Danish Heat Supply Act or approval by the minister of Transportation and Energy, customers can under certain conditions change from Natural Gas to for example certain kinds of bio fuel such as chip wood. Bio fuel is tax exempted and accordingly it may be economically beneficial for the consumers. Some customers therefore wish to change energy source. The conditions for such changes are thoroughly regulated, but the interpretation of some of these conditions are yet to be clarified. Should such changes from Natural Gas to other kinds of energy source occur, a decrease in the revenue of HNG and NGMN may be the result.

In two specific cases in Jutland, the Municipal Board have approved a district heating plant producing heat by bio fuel incineration to supply such heat in NGMN's distribution area. NGMN have filed complaints to the Danish Energy Complaint Board who rejected the complaints. Following these rejections, NGMN have initiated legal proceedings as NGMN is of the opinion that the approvals do not meet the requirements in the Danish Heat Supply Act in force at the time and accordingly are invalid. The (disputed) approvals to supply heat in NGMN's areas have not yet led to a revenue loss for NGMN. If NGMN does not succeed with its legal proceedings, these cases, and future similar situations, may lead to revenue losses for NGMN and HNG.

Such potential revenue losses can however be covered by an increase of the distribution tariffs.

***The Issuers' derivatives counterparties may not honour their contracts***

HNG and NGMN (the "Issuers") use derivative instruments to hedge market risk. The Issuers' derivative strategies employ instruments such as foreign exchange forwards, foreign currency swaps, interest rate swaps and equity options. While there has not yet been a situation in which the Issuers' derivative counterparty has

not honoured their obligations under the derivative agreement, a failure by one or more counterparties to honour the terms of its derivatives contract with the Issuers could have an adverse effect on the business, results of operations and financial condition of the Issuers.

***Losses caused by default of external counterparty***

HNG and NGMN use short term bank-deposits for cash-management. HNG and NGMN only make deposits with banks with the best short term ratings of the rating agencies. A default by one of these banks could cause losses through loss in value on a deposit made with such counterparty.

***A downgrade may substantially increase the financial costs of the Issuers***

HNG and NGMN are dependent on access to the international capital markets. The cost and availability of financing is generally dependent on HNG and NGMN's credit ratings which currently are Aaa by Moody's. The Issuers' credit ratings depend on many factors, some of which are outside of the Issuers' control. Factors that are significant in determining the Issuers' credit ratings or that otherwise could affect the Issuers' ability to raise financing. These factors include ownership structure, asset quality, liquidity profile, prudent banking, government support, legislation and public policy role. A deterioration in any of these factors or combination of these factors may lead rating agencies to downgrade the Issuers' credit rating. If the Issuers were to receive a downgrade in their credit ratings, it would likely become necessary to offer increased interest rates in the capital markets in order to obtain financing, which would likely substantially increase the financial costs of HNG and NGMN, substantially lower the Issuers' profit margins and earnings and negatively affect the Issuers' business.

***The Issuers' credit ratings may not reflect all risks of an investment in the Notes***

The credit ratings of the Issuers' medium-term note programme may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or the trading value of, the Notes. In addition, real or anticipated changes in the Issuers' credit ratings will generally affect any trading market for, or trading value of, the Notes.

***Any decline in the Issuers' credit ratings may affect the market value of the Issuers' Notes***

HNG's and NGMN's credit ratings are an assessment of the Issuers' ability to pay the Issuers' obligations, including those on the offered Notes. Consequently, actual or anticipated declines in the Issuers' credit ratings may affect the market value of the Issuers' Notes.

***Reduced accessibility to the international capital markets at a desired interest rate could increase the Issuers' financial costs and thereby lower the Issuers' profit margins***

Since the Issuers refinance their outstanding debt through the international capital markets and use swaps for hedging the risks of these issues, reduced differences between the new issue spreads and the swap spreads, all other things being equal, will have a negative impact on the Issuers' financial costs.

Furthermore, any situation that impairs HNG's and NGMN's access to the market or increases the cost of financing could have a negative effect on the Issuers' profit margins. For instance, the Issuers must compete with domestic and foreign financial institutions in the capital markets for financing. This competition could raise the costs of financing to the Issuers by forcing it to offer higher interest rates in order to attract investors.

***Competition law and Government subsidies regarding the DONG 2003 Agreement***

As described in the Business Description under "Agreements with DONG", the Danish Competition Agency has - following some agreed changes to the DONG 2003 Agreement - approved this agreement in respect of competition law issues. However, the European Commission is evaluating the DONG 2003 Agreement in relation to possible conflict with the rules regulating Government subsidies. No Ruling has been made in this respect. Accordingly, there may be a risk that parts of the DONG 2003 Agreement are considered in violation of the rules regulating Government subsidies.

**Disputes**

Besides the dispute referred to above under "Customers switch to other kinds of energy in accordance with the Danish Heat Supply Act", HNG/NGMN are involved in other disputes which may have some financial impact.

In a dispute similar to the above mentioned, the Danish Energy Complaints Board have decided to reopen

an approval allowing a non natural gas based heat supply facility to supply heat within HNG's distribution area. Depending on the outcome of this reopened case, HNG may face the risk of future loss of revenues.

HNG has terminated a contract with a contractor regarding service pipe installations to new gas customers. The contractor did not meet the quality requirements leading to an increasing dissatisfaction from HNG's customers. The contractor has initiated arbitral proceedings claiming damages of approximately DKK 8,226,000. HNG has rejected the claim that the contractor is entitled to damages as HNG is of the opinion that the termination of the contract was justified. Further, HNG believes that HNG is entitled to damages. HNG expects to claim damages for approximately DKK 21,000,000 in the arbitral proceedings. The dispute is not expected to have any significant impact on HNG's financial position. The problems for the customers have led to some bad will towards HNG. However, no long term effects are expected.

HNG and NGMN are disagreeing with the DERA regarding their return on invested capital. In 1982 HNG obtained an approval to calculate an interest on its invested capital. According to the Executive Order of Income Framework from 2005, (which is further described under "Description of the Danish Gas Industry"), such return on invested capital is not allowed from the year 2000 on unless certain efficiency requirements have been met. HNG is of the opinion that such provisions regulating the return of invested capital cannot be applied retrospectively and HNG should be allowed to apply the interest from 2000-2005. NGMN (and other municipal natural gas partnerships) did not apply for an approval in 1982 as they relied on the principles set forth in the approval to HNG. NGMN has in accordance herewith applied an interest in order to calculate a return on the invested capital since 1982. However, the DERA have rejected this interest as no specific application was made by NGMN. NGMN is of the opinion that this rejection is invalid. In accordance with the Executive Order on Income Framework HNG and NGMN should prepare special opening balances to be approved by the DERA as of 1st January, 2005. HNG and NGMN decided to prepare special opening balances based on the position by the DERA (i.e. no return on invested capital for HNG in the period 2000-2005 and no return on invested capital by NGMN). However, HNG and NGMN also stated that any ruling allowing such interest should lead to a new special opening balance. At present another of the original municipal natural gas partnerships is challenging the position of the DERA before the Danish Energy Complaints Board. Should the challenge be successful, NGMN and HNG may be entitled to increase their equity in the 2005 special opening balances which may lead to increased tariffs for distribution. Should the challenge not be successful, the special opening balances and in consequence the tariffs already reflect this. However this will impact the reserve under equity in the Statutory Financial Statements.

HNG and NGMN have in their Statutory Financial Statements calculated return on invested capital up to 31st December, 2004. The calculated return on invested capital has been set up as a reserve under equity and not reversed as in the special opening balance for the DERA.

#### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

##### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of

risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

##### *Notes subject to optional redemption by the Issuers*

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuers may be expected to redeem Notes when the cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

##### *Index Linked Notes and Dual Currency Notes*

The Issuers may issue Notes with principal interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked notes. Accordingly, an investor should consult its own financial and legal advisers about the risk entailed in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

##### *Partly-paid Notes*

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

##### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification*

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

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required from 1st July, 2005, 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, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the relevant Issuer 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. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the relevant Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

#### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

#### *Trading in the clearing system*

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing



systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

### ***Risks related to the market generally***

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

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

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

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

#### *Interest rate risks*

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

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the 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.

#### ***Legal investment considerations may restrict certain investments***

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



## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this Prospectus:

- (a) the auditors report and audited consolidated and non-consolidated annual financial statements prepared in accordance with the Danish Financial Statement Act for the financial years ended 31st December, 2005 and 31st December, 2004 of each of the Issuers; and
- (b) Articles of Partnership of each Issuer (for information purposes only),

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of Documents incorporated by reference in this Prospectus can be obtained from the registered office of each of the Issuers and from the specified office of the Paying Agent for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)). In addition, such documents will be available free of charge from the principal office in Luxembourg of Banque Générale du Luxembourg, S.A. (the "**Luxembourg Listing Agent**") for Notes listed on the Luxembourg Stock Exchange. Requests for such documents should be directed to the Issuers at their respective offices set out at the end of this Prospectus.

The Issuers will, in the event of any significant risk factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

Any information not listed in the cross-reference list but included in the documents incorporated by reference is given for information purposes only.

### Cross Reference List

<i>Commission Regulation (EC) No. 809/2004, Annex 11.1</i>	<i>Annual Report</i>	<i>Annual Report</i>
<i>HNG Financial Statements</i>	<i>2004</i>	<i>2005</i>
Balance Sheet	Page 35	Page 33
Income Statement	Page 34	Page 32
Accounting Policies and Explanatory Notes	Pages 30-31, 37-39	Pages 28-29, 35-37
Auditors' Report	Page 32	Page 30
<i>NGMN Financial Statements</i>		
Balance Sheet	Page 21	Page 29
Income Statement	Page 20	Page 28
Accounting Policies and Explanatory Notes	Pages 16-19, 24-30	Pages 22-25, 32-36
Auditors' Report	Page 13	Page 27

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons (“*Coupons*”) attached, or registered form, without Coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“*Regulation S*”) and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided in Regulation S.

### **Bearer Notes**

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a “*Temporary Bearer Global Note*”) or a permanent bearer global note (a “*Permanent Bearer Global Note*”) as indicated in the applicable Final Terms, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “*Common Depository*”) for Euroclear Bank S.A./N.V., as operator of the Euroclear System (“*Euroclear*”) and Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “*Exchange Date*”) which is, in respect of each Tranche in respect of which a Temporary Bearer Global Note is issued, 40 days after the Temporary Bearer Global Note is issued interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the relevant Issuer has or will become subject to adverse tax consequences as a result of legislative changes in the domicile of the Issuer which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form, without Receipts or Coupons, (a “*Registered Global Note*”) which will be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7(d)) as the registered holder of the Registered Global Notes. None of the Issuers, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(d)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences as a result of legislative changes in the domicile of the Issuer which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

### **Transfer of Interests**

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale*”.**

## General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by such Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “*Noteholder*” and “*holder of Notes*” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the relevant Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg on and subject to the terms of the deeds of covenant (the “*Deeds of Covenant*”) dated 10th October, 2005 and each executed by the relevant Issuer.

## APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

**Hovedstadsregionens Naturgas I/S/Naturgas Midt-Nord I/S**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$750,000,000  
Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 31st October, 2006. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus. All information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available during normal business hours for viewing at and copies may be obtained from, the specified office of each of the Agents. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date], save in respect of the Conditions which are extracted from the Prospectus dated [original date] and are attached hereto. All information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available during normal business hours for viewing at, and copies may be obtained from, the specified office of each of the Agents. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange) the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitutes “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

1. (i) Issuer: Hovedstadsregionens Naturgas I/S/  
Naturgas Midt-Nord I/S

2. (i) Series Number: [ ]

(ii) Tranche Number: [ ]

*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*

3. Specified Currency or Currencies: [ ]

4. Aggregate Nominal Amount:

– Tranche: [ ]

– Series: [ ]

5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (if applicable)]
6. Specified Denominations: [ ]  
 (in the case of Registered Notes, this means the minimum integral amount in which transfers can be made) [ ]  
 (N.B. if an issue of Notes is (i) NOT admitted to trading on a regulated market within the European Economic Area; and (ii) only offered to the public in a Member State of the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €50,000 minimum denomination is not required.)
7. [(i)] Issue Date: [ ]  
 [(ii)] Interest Commencement Date: [ ]  
 (If different from the Issue Date)
8. Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[LIBOR/EURIBOR] +/- [[ ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [specify other]  
 (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
11. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. (i) Status of the Notes: Senior  
 (ii) [Date [Board] approval for issuance of Notes obtained: [ ]  
 (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
14. Method of distribution: [Syndicated/Non-syndicated]



## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [[ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]  
*(If payable other than annually, consider amending Condition 6)*
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]/[specify other]  
*(NB: This will need to be amended in the case of long or short coupons)*
- (iii) Fixed Coupon Amount(s): [ ] per [ ] in nominal amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]  
*(NB: if interest is not payable on a regular basis (for example, if there are Broken Amounts specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)*
- (vi) Determination Date[s]: [[ ] in each year  
*[Insert interest payment dates, ignoring issue date or maturity date in the case of a long short first or last coupon]*  
*(NB: This will need to be amended in the case of regular interest payment dates which are not of equal duration)*  
*(NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]

- (vi) Screen Rate Determination:
- Reference Rate: [     ]   
 (Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
  - Interest Determination Date(s): [     ]   
 (Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
  - Relevant Screen Page: [     ]   
 (In the case of EURIBOR, if not Telerate Page 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: [     ]
  - Designated Maturity: [     ]
  - Reset Date: [     ]
- (viii) Margin(s): [+/-] [     ] per cent. per annum
- (ix) Minimum Rate of Interest: [     ] per cent. per annum
- (x) Maximum Rate of Interest: [     ] per cent. per annum
- (xi) Day Count Fraction: [Actual/365  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
30/360  
30E/360  
Other]   
 (See Condition 6 for alternatives)
- (xii) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [     ]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]   
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [     ] per cent. per annum
  - (ii) Reference Price: [     ]
  - (iii) Any other formula/basis of determining amount payable: [     ]   
 (Consider applicable day count fraction if not U.S. dollar denominated)
  - (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 8(e)(iii) and 8(j) apply/specify other]

18. **Index Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [give or annex details]
  - (ii) Calculation Agent responsible for calculating the interest due: [ ]
  - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
  - (iv) Specified Period(s)/Specified Interest Payment Dates: [ ]
  - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
  - (vi) Additional Business Centre(s): [ ]
  - (vii) Minimum Rate of Interest: [ ] per cent. per annum
  - (viii) Maximum Rate of Interest: [ ] per cent. per annum
  - (ix) Day Count Fraction: [ ]
19. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
  - (ii) Calculation Agent, if any, responsible for calculating the interest payable: [ ]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
  - (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. **Issuer Call** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [ ]
    - (b) Maximum Redemption Amount: [ ]

- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent)*
21. Investor Put [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] Specified Denomination
- (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. Final Redemption Amount of each Note [[ ]per Note of [ ] Specified Denomination/specify other/see Appendix]  
*(N.B. In relation to any issue of Notes which are expressed at paragraph 6 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [ ] in excess of [ ] as envisaged in paragraph 6 above, such holding will be redeemed at its nominal amount".)*  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
23. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8(e)): [ ]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes: Bearer Notes:  
 Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes on 60 days' notice given at any time/only upon an Exchange Event

Registered Notes:

Regulation S Global Note exchangeable for definitive registered Notes at the expense of the Holder/Definitive Registered Notes (*specify nominal amounts*)

*(Ensure that this is consistent with the wording in the "Form of Notes" section in the Prospectus and the Notes themselves.)*

25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]  
*(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vi) relate)*
26. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. (NB: a new form of Temporary Global Note and/or Permanent Global may be required for Partly Paid issues)]
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable  
*[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)]*
30. Other final terms: [Not Applicable/give details]  
  
*(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)*

**DISTRIBUTION**

31. (i) If syndicated, names of Managers: [Not Applicable/give names]  
(ii) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name of relevant Dealer: [ ]
33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/give details]

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.\$750,000,000 Euro Medium Term Note Programme of Hovestadregionens Naturgas I/S and Naturgas Midt-Nord I/S.]

**[RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which could render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By: .....

*Duly authorised*



## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [London/Luxembourg/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].]  
[Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: [The Notes to be issued have been rated:]

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

*(The above disclosure should reflect the rating allocated to Notes of the type issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3. NOTIFICATION

The [*name of competent authority in home Member State*] [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

### 5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer: [ ]]

[(ii) Estimated net proceeds: [ ]]

[(iii) Estimated total expenses: [ ]]

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i) disclosure of net proceeds and total expenses at (ii) and (iii) above are also required).*

### 6. YIELD (Fixed Rate Notes only)

Indication of yield: [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 7. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-Linked Notes only*)

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*]

[Need to include a description of any market disruption or settlement disruption events that affect the underlying.]

[Need to include adjustment rules in relation to events covering the underlying.]

[Where the underlying is a security the name of the issuer of the security and its ISIN or other such security identification code.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

[Where the underlying is an interest rate a description of the interest rate.]

[Where the underlying is a basket of underlyings disclosure of the relevant weightings of each underlying in the basket.]

**8. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)**

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

**9. OPERATIONAL INFORMATION**

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Hovedstadsregionens Naturgas I/S or Naturgas Midt-Nord I/S (each an "**Issuer**" and together the "**Issuers**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form ("**Bearer Notes**") issued in exchange for a Global Note in bearer form; and
- (iv) definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 10th October, 2005 and made between the Issuers, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), and Deutsche Bank Luxembourg S.A. as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches

of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of Deeds of Covenant (the “*Deeds of Covenant*”) dated 10th October, 2005 and made by each of the Issuers. The originals of the Deeds of Covenant are held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deeds of Covenant are available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and the other Paying Agents and Transfer Agents (such Agents and the Registrar being together referred to as the “*Agents*”). Copies of the applicable Final Terms are available during normal business hours for viewing at, and copies may be obtained from the specified office of each of the Agents, save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes of that Series and such Noteholder must produce evidence satisfactory to the relevant Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deeds of Covenant and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The relevant Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Bearer Global Note held on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“*Euroclear*”) and/or Clearstream Banking, société anonyme (“*Clearstream, Luxembourg*”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Regulation S Global Note shall be treated by the relevant Issuer and any Agent as the

holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “*Noteholder*” and “*holder of Notes*” and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## **2. TRANSFERS OF REGISTERED NOTES**

### **(a) *Transfers of interests in Registered Global Notes***

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement.

### **(b) *Transfers of Registered Notes in definitive form***

A Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (a) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the relevant Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### **(c) *Exchange of Exchangeable Bearer Notes for Registered Notes***

Subject to the provisions of Condition 2(d), at the option of the holder thereof, upon presentation to the Principal Agent of a duly completed and signed request for exchange (in the form for the time being obtainable from the specified office of the Registrar or the Principal Paying Agent (a “*Registration Request*”)) together with the relevant Exchangeable Bearer Note(s) and payment of any sum in respect of any such stamp duty, tax or other governmental charge as is referred to, and subject as otherwise provided, in Condition 2(f), and subject to the terms of the Agency Agreement, Exchangeable Bearer Notes are exchangeable in whole but not in part for the same aggregate principal amount of Registered Notes, provided that all unmatured Coupons (which expression, for the avoidance of doubt, shall include Coupons falling to be issued on exchange of matured Talons) relating thereto are attached thereto or are surrendered therewith. Registration Requests may not be presented during the period commencing on the fifth Business day (as defined in Condition 6) in London prior to the Record Date (as defined in Condition 7) in respect of any Interest Payment Date (as defined in Condition 6) and ending on such Interest Payment Date (both inclusive). Interest on



the Registered Notes issued on exchange will accrue, and interest on the corresponding Exchangeable Bearer Notes presented for exchange will cease to accrue, as from the Interest Payment Date immediately preceding the date of presentation or, if none, as from the Interest Commencement Date. Registration Requests may only be presented and Exchangeable Bearer Notes may only be presented for exchange for Registered Notes, at the specified office of the Principal Paying Agent. The Registrar will, within seven Business Days in London of the date of presentation to the Principal Paying Agent of any Registration Request together with the relevant Exchangeable Bearer Note(s) and unmatured Coupons and any requisite payment as aforesaid, deliver at its specified office to the Noteholder or (at the risk and, if mailed at the request of the Noteholder otherwise than by ordinary uninsured mail, at the expense of the Noteholder) send by mail to such address, other than an address in the United States, as may be specified by the Noteholder in the Registration Request a Registered Note with the same aggregate principal amount as that of the Exchangeable Bearer Note(s) exchanged. Bearer Notes which are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(d) *Closed Periods*

The Issuer shall not be required:

- (i) in the event of a partial redemption of Notes under Condition 8:
  - (A) to register the transfer of Registered Notes (or parts of Registered Notes) or to exchange Exchangeable Bearer Notes for Registered Notes during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive);
  - (B) to register the transfer of any Registered Note, or part of a Registered Note, called for redemption; or
  - (C) to exchange any Exchangeable Bearer Note called for redemption, except that an Exchangeable Bearer Note called for redemption may be exchanged for a Registered Note which is simultaneously surrendered not later than the relevant Record Date; or
- (ii) to register the transfer of Registered Notes (or parts of Registered Notes) or to exchange Exchangeable Bearer Notes for Registered Notes (A) during the period of 10 Business Days in London immediately prior to any Record Date in respect of that Note or (B) during the period commencing on the Record Date in respect of the final Interest Payment Date in respect of that Note and ending on such Interest Payment Date.

(e) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 8, the relevant Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(f) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the relevant Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

### **3. STATUS OF THE NOTES**

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and rank *pari passu* and without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the relevant Issuer, from time to time outstanding.

By virtue of the Articles of Partnership of each Issuer, the partners (the “*Partners*”) of each Issuer (which are certain Municipalities in Denmark) are jointly and severally liable to the full extent of their property for the obligations of such Issuer.



#### 4. NEGATIVE PLEDGE

As long as any of the Notes remains outstanding (as defined in the Agency Agreement), the relevant Issuer undertakes that if it shall in the future secure any loan, debt, guarantee or other obligation, existing on or after the date hereof, by any lien, pledge or other charge upon any of its present or future assets or revenues, the Notes shall share in and be equally and rateably secured by such lien, pledge or other charge, and the instrument creating such lien, pledge or other charge shall expressly provide that the Notes shall be so secured; provided, however, that the Notes shall not be secured by (and no instrument shall be required to provide that the Notes shall be secured by) any lien or other charge on any real property, if the aggregate principal amount of the obligations of the relevant Issuer secured by all liens or other charges on real property does not exceed the value of all the land and buildings subject to such liens or other charges. The term “*real property*” as used in this Condition 4 shall mean land and buildings owned by the relevant Issuer.

#### 5. REDENOMINATION

(a) *Redenomination*

Where redenomination is specified in the applicable Final Terms as being applicable, the relevant Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Principal Paying Agent, (in the case of Registered Notes) the Registrar Euroclear and Clearstream, Luxembourg and at least 30 days’ prior notice to the Noteholders in accordance with Condition 15, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro. In relation to any Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 50,000 and which are admitted to trading on a regulated market in the European Economic Area, it shall be a term of any such notice that the holder of any Notes held through Euroclear and/or Clearstream, Luxembourg must have credited to its securities account with the relevant clearing system a minimum balance of Notes of at least euro 50,000.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the relevant Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the relevant Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the relevant Issuer in the denominations of euro 50,000 and for such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders and any remaining amounts less than euro 50,000 shall be redeemed by the relevant Issuer and paid to Noteholders in euro in accordance with Condition 7;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the relevant Issuer gives notice (the “*Exchange Notice*”) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the relevant Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders

in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention; and
- (vii) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

(b) *Definitions*

In these Conditions, the following expressions have the following meanings:

**“Established Rate”** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

**“euro”** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**“Redenomination Date”** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the relevant Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

**“Treaty”** means the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam

## 6. INTEREST

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest

Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or

- (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date (or, if none, the Interest Commencement Date), the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

“**Determination Period**” means the period from (and including) a Determination Date to but excluding the next Determination Date;

“**sub-unit**” means with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no express Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above,

shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the “**TARGET System**”) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions, each as amended and updated as at the Issue Date of the first Tranche of the Notes, published by the International Swaps and Derivatives Association, Inc. (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro-zone inter-bank offered rate (“**EURIBOR**”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest

shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the “*Interest Amount*”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest for any Interest Period:



- (i) if “Actual/365” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
  - (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
  - (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
  - (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
  - (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
  - (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).
- (v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified (by no later than the first day of each Interest Period) to the relevant Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

- (vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.



(c) *Interest on Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

## **7. PAYMENTS**

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

(b) *Presentation of definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7(a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any definitive Bearer Note becomes due

and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

(d) *Payments in respect of Registered Notes*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New

Zealand dollars, shall be Sydney or Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the “*Record Date*”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

Neither the relevant Issuer nor the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer, adverse tax consequences to the relevant Issuer.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “*Payment Day*” means any day which (subject to Condition 10) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) London;
  - (C) any Additional Financial Centre specified in the applicable Final Terms;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(g) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 9;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8(e)); and
- (vii) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

## **8. REDEMPTION AND PURCHASE**

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the relevant Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Principal Paying Agent a certificate signed by two Directors of the relevant Issuer stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 8(b) will be redeemed at their Early Redemption Amount referred to in Condition 8(e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Final Terms, the relevant Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("*Redeemed Notes*") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "*Selection Date*"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8(c) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not, in the case of a Bearer Note in definitive form, in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8(d) in any multiple of their lowest Specified Denomination.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours



of such Paying Agent or, as the case may be, the Registrar falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “*Put Notice*”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b).

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the relevant Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11.

(e) *Early Redemption Amounts*

For the purpose of Condition 8(b) above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “*Amortised Face Amount*”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY}) \times$$

where:

- (A) “*RP*” means the Reference Price; and
- (B) “*AY*” means the Accrual Yield; and
- (C) “*x*” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8(e) above.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) *Purchases*

The relevant Issuer may at any time purchase Notes at any price in the open market or otherwise.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8(h) above (together with



all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8(a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8(e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

## 9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, such Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment by, or on behalf of, a holder who would not be liable or subject to such withholding or deduction by making a declaration of non-residence or similar claim for exemption to the relevant tax authority;
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7(f));
- (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 law implementing or complying with, or introduced in order to conform to, such Directive or law; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) “**Tax Jurisdiction**” means The Kingdom of Denmark or any political subdivision or any authority thereof or therein having power to tax ; and
- (ii) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 10. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

## **11. EVENTS OF DEFAULT**

Upon any of the following events taking place, the holder of any Note may give notice to the Principal Paying Agent that such Note is immediately repayable, and, unless the relevant event(s) shall have been cured by the relevant Issuer prior to receipt by the Principal Paying Agent of such notice, the principal amount of such Note less, if applicable, any Instalment Amounts already paid (or, where specified in the relevant Final Terms, its Early Redemption Amount) together with accrued interest to the date of payment (or, in the case of a Zero Coupon Note, its Amortised Face Amount determined in accordance with Condition 8(e)) shall become immediately due and payable:

- (i) if default is made by the relevant Issuer for a period of more than 14 Business Days in the payment of any interest, or seven Business Days in the payment of any principal, premium or other payment due on any Note; or
- (ii) if the relevant Issuer shall become insolvent, or subject to bankruptcy procedure under the laws applicable to it, or shall stop or threaten to stop payment of, or shall be found unable to pay, its debts, or any order shall be made by any competent court of administrative agency for, or any resolution shall be passed by the relevant Issuer for, judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the relevant Issuer; or
- (iii) if the relevant Issuer fails to pay a final judgment of a court of competent jurisdiction within 28 days from the entering thereof or an execution is levied on or enforced upon or sued out in pursuance of any such judgment against any substantial part of the assets or property of the relevant Issuer; or
- (iv) if the relevant Issuer shall be wound up or dissolved (otherwise than for the purposes of an amalgamation, merger or reconstruction on terms approved by an Extraordinary Resolution of the Noteholders or as provided in Condition 16(b)); or
- (v) if the relevant Issuer shall cease or threaten to cease to carry on all or a substantial part of its business (otherwise than for the purpose of an amalgamation, merger or reconstruction on terms approved by an Extraordinary Resolution of the Noteholders or as provided in Condition 16(b)); or
- (vi) if default is made in an aggregate amount of more than U.S.\$5,000,000, or its equivalent, by the relevant Issuer in the due and punctual payment of the principal of, premium (if any) or interest on any indebtedness for borrowed money of or assumed or guaranteed by the relevant Issuer, when and as the same shall become due and payable, if such default shall continue for more than the period of grace, if any, applicable thereto, or in the event that any such indebtedness shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder; or
- (vii) if default is made by the relevant Issuer in the performance or observance of any obligation, condition or provision binding on it under the Notes (other than the payment in respect of the Notes) and such default continues for 30 days after written notice thereof by any Noteholder to the relevant Issuer requiring the same to be remedied; or
- (viii) if any of the Partners (or any entity into which such Partner may be merged) shall at any time cease to be liable for the obligations of the relevant Issuer in respect of the Notes or if any one or more of the Partners owning in aggregate more than 10 per cent. of the relevant Issuer shall fail to pay its debts as they fall due.

## **12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### **13. AGENTS**

The names of the initial Agents and their initial specified offices are set out below.

The relevant Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (i) there will at all times be a Principal Paying Agent, a Paying Agent with its specified office in a country outside the European Union and a Registrar;
- (ii) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange; and
- (iii) the relevant Issuer undertakes that it will maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the relevant Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the relevant Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **14. EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

### **15. NOTICES**

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Bearer Notes are listed on the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg. It is expected that such publication will be made in the *Financial Times* in London, and the *d'Wort* in Luxembourg. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have

been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 16. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the relevant Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the relevant Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

### (b) *Substitution of Principal Debtor*

- (a) If there should be an amalgamation, merger or other combination of the Issuer with or into DONG Energy A/S or any one or more of the regional natural gas companies in Denmark, which are Hovedstadsregionens Naturgas I/S, Naturgas Midt-Nord I/S and Naturgas Fyn I/S, the resulting entity (the “**Substituted Issuer**”) may, without the consent of the holder of any Note or Coupon, assume liability as the principal debtor in respect of the Notes and Coupons, provided always that:
- (i) no payment in respect of the Notes or Coupons is at the relevant time overdue; and
  - (ii) a Deed Poll and such other documents (if any) as may be necessary to give full effect to the substitution (together the “**Documents**”) shall be executed by the Substituted Issuer pursuant to which:
    - (A) the Substituted Issuer shall undertake in favour of the holder of each Note and Coupon to be bound by these Conditions and the terms of the Fiscal Agency Agreement as fully as if the Substituted Issuer had been named herein and

therein as the principal debtor in respect of the Notes and Coupons in place of the Issuer (or any previous substitute);

- (B) the liability assumed by the Substituted Issuer shall only be assumed in conjunction with the transfer to the Substituted Issuer of all or substantially all of the Issuer's (or any previous substitute's) assets;
  - (C) each Partner shall remain jointly and severally liable (in accordance with Danish law) with the Substituted Issuer for the relevant Issuer's obligations with respect to the Notes; and
  - (D) the Substituted Issuer shall warrant and represent to and for the benefit of each holder of a Note or Coupon that it has obtained all necessary governmental and regulatory approvals and consents for the assumption by the Substituted Issuer of liability as principal debtor in respect of the Notes and that such approvals and consents are in full force and effect and that the obligations assumed by the Substituted Issuer as aforesaid are valid, binding and enforceable in accordance with their terms.
- (b) Upon the execution of the Documents, the Substituted Issuer shall be deemed to be named herein and on the Coupons as the principal debtor in place of the Issuer (or of any previous substitute under this Condition) and this Note and the Coupons appertaining hereto shall thereupon be deemed to be amended to give effect to such substitution. The execution of the Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes and the Coupons.
  - (c) The Documents shall be deposited with and held by the Principal Paying Agent for so long as any Note or Coupon remains outstanding and for so long thereafter as any claim made against the Substituted Issuer by any Noteholder or Couponholder in relation to the Notes or the Coupons or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Issuer shall acknowledge in the Documents the right of every Noteholder and Couponholder to the production of the Documents for enforcement of any of the Notes or the Coupons or the Documents.
  - (d) Not later than 15 days after the execution of the Documents the relevant Issuer (or any such previous substitute as aforesaid) shall give notice thereof and of any substitute address for the purposes of Condition 15 to the Noteholders in accordance with such Condition.

## **17. FURTHER ISSUES**

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **19. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### *(a) Governing law*

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

### *(b) Submission to jurisdiction*

The relevant Issuer irrevocably agrees, for the exclusive benefit of the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "*Proceedings*") arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.



The relevant Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) *Appointment of Process Agent*

The Ambassador of the Kingdom of Denmark to the Court of St. James, at his official address in the United Kingdom for the time being, has been appointed as the relevant Issuer's agent to accept service of process in respect of any Proceedings.

(d) *Waiver of immunity*

The relevant Issuer hereby irrevocably waives any right to claim immunity from jurisdiction or execution or any similar defence. The relevant Issuer irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon the relevant Issuer and may be enforced in the courts of any other jurisdiction.



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer to refinance existing indebtedness and otherwise for its general business purposes. If in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF THE DANISH GAS INDUSTRY

### Background

The Danish Natural Gas Project, the plan to exploit the natural gas sources discovered in the Danish sector of the North Sea, was established by the Danish Parliament (*Folketinget*) in 1979 as part of a programme to reduce Denmark's dependence on imported sources of energy.

The extraction of natural gas in the North Sea is managed by a private partnership, Dansk Undergrunds Consortium ("DUC"). The Danish Government owns the reserves but the rights to extract and sell the oil and gas were sold to the AP Moeller Group which entered into the partnership with Shell and Chevron Texaco.

Dansk Naturgas A/S (subsequently renamed Dansk Olie- og Naturgas A/S and later DONG A/S) (a wholly State-owned limited liability company) had been set up in 1972 with the purpose of handling the interests of Denmark in respect to a possible purchase of natural gas from Norway. Following the discovery of natural gas in the Danish part of the North Sea, the company bought this natural gas from DUC and handled the transmission, processing and resale to the following regional natural gas companies which were responsible for distribution and sale of gas to consumers:

- Hovedstadsregionens Naturgas I/S ("HNG")
- Naturgas Midt-Nord I/S ("NGMN")
- Naturgas Sjaelland I/S (bought by DONG (as defined below) in 2000)
- Naturgas Fyn I/S
- Naturgas Syd I/S (bought by DONG in 1999)

### *Legal status of the regional natural gas companies*

Each of these regional natural gas companies were established as partnerships between a number of Danish municipalities.

Danish municipalities are individual authorities and independent under the Danish constitution and Danish legislation. In addition, the municipalities are self-financing and empowered to set and collect local taxes. The municipalities derive revenues mainly from municipal income and property taxes. Municipalities receive a share of state revenue from corporation tax, some Treasury reimbursements, in particular relating to social welfare, as well as various support grants.

### *DONG*

In March 2006 DONG A/S and five Danish energy companies merged to create DONG Energy (together with its subsidiaries referred to as "DONG"). The merger has subsequently been approved by the European Commission. DONG Energy has a dominant position in the Danish natural gas market .

The creation of DONG Energy does not impact the existing relationship between DONG and HNG I/S and NGMN I/S.

As a condition for approval of the merger and to increase competition in the Danish wholesale natural gas market, the European Commission has instructed DONG to implement a natural gas release programme. Under the programme, DONG must, through a public auction, sell natural gas equivalent to 10 per cent. of total Danish consumption. The auction will be held annually in 2006 to 2012. The first auction was successfully conducted in August 2006. The programme is expected to lower the wholesale price of natural gas in Denmark.

DONG A/S (now part of DONG Energy) previously performed its gas activities through the wholly owned subsidiary, DONG Naturgas A/S. A break-up of DONG Naturgas A/S was decided at the general meeting on 19th July, 2003.

DONG Naturgas A/S ceased to exist as a result of the break-up and its activities were divided into 7 separate Danish limited companies:

- DONG Transmission A/S (subsequently sold to the Danish State and renamed Gastra A/S and thus no longer part of DONG)
- DONG Distribution A/S
- DONG Lager A/S
- DONG Individuelle Vilkår A/S

- DONG Faste Vilkår A/S
- DONG Naturgas A/S
- DONG Ejendomme A/S (merged with the parent company DONG A/S with effect from 1st January 2003)

The agreements, options and guarantees between HNG, NGMN and DONG prior to the break-up were entered into between HNG, NGMN and the old DONG Naturgas A/S which no longer exists. Unless otherwise specified, all these agreements have been transferred to the new DONG Naturgas A/S. Accordingly, any reference to “DONG Naturgas” in this regard means the new DONG Naturgas A/S.

DONG Naturgas assumed all assets and liabilities and rights and obligations concerning the activities of the old DONG Naturgas A/S relating to procurement of natural gas, treatment of natural gas, supply of natural gas to certain consumers, export of natural gas, trade in other products or services relating to the energy markets and the gas pipe from the North Seas including the Nybro gas treatment facility.

The Danish Ministry of Finance has initiated a process to privatise DONG through a public offering and listing of shares on the Copenhagen Stock Exchange.

Any future change in the control of DONG may lead to reduced financial ability for DONG Naturgas to meet the obligations towards HNG and NGMN.

### **The Framework of the Natural Gas Industry and HNG and NGMN**

#### *The Natural Gas Supply Act*

The regulatory framework is based on the Natural Gas Supply Act as amended from time to time, passed by the Danish Parliament in the spring of 2000, and Executive Orders issued according to the Act. The Natural Gas Supply Act and Executive Orders implements the EU directive of 22nd June, 1998 on joint rules for the Internal Market for Natural Gas in the EU.

The Natural Gas Supply Act covers transmission (Energinet), distribution (including HNG and NGMN), supply (including HNG and NGMN) and storage (DONG and Energinet). The Natural Gas Supply Act and later amendments further implement the political agreement between the Minister for Energy, the Minister of Finance and the municipalities behind HNG and NGMN, agreeing on the future role of these municipal companies in the Danish natural gas industry (the “St. Hans Agreement” as described below). In addition, the industry is governed by the Heat Supply Act on the heat planning process in Denmark and by the general municipal code governing joint municipal companies like HNG and NGMN.

#### *The Danish Local Government Act*

HNG and NGMN respectively are joint municipal partnerships under the general regulation of the Danish municipalities, which are under the supervision of the Minister for the Interior and Health. The Danish Local Government Act regulates the scope of the activities, funding and the election of board members of HNG and NGMN. The Danish Local Government Act further prevents HNG and NGMN from entering into activities outside the public utility sector or outside Denmark.

#### *The “St. Hans Agreement”*

In 1999, the Minister of Energy and the Minister of Finance sought to reach an agreement with HNG and NGMN under which these companies would continue to distribute and supply natural gas to customers without access to the open market. On 23rd June 1999 the parties entered into the St. Hans Agreement that created a framework where the municipal ownership of the distribution system was maintained and the regional gas companies became system operators while maintaining their Public Service Obligations status with duties including: (i) selling natural gas on fixed terms to all consumers connected to the grid, (ii) taking an active role in the marketing of natural gas to potential customers, and (iii) providing energy conservation counselling. This agreement further included an agreement on the part of the regional gas companies to extend their debt repayment from 2004 to 2014 except in the case of debt attributable to new investments.

The St. Hans Agreement was adopted by a broad majority in the Danish Parliament and is directly included in the Natural Gas Supply Act and later amendments. Some of the amendments to the Natural Gas Supply Act were due to the negative response by the European Commission regarding competition issues in the St. Hans Agreement, cf. below.

#### *Agreements with DONG*

While the St. Hans Agreement as a political agreement was included in the Natural Gas Supply Act as

amended - in part due to the negative response by the European Commission regarding competition issues in the St. Hans Agreement - the St. Hans Agreement also formed the foundation for negotiating a new gas purchase contract with DONG. An agreement with DONG was approved on 26 May 2000 and signed on 22 June 2000 (the “**DONG 2000 Agreement**”).

The purpose of the DONG 2000 Agreement was to secure the regional gas companies guaranteed minimum revenue from distributing gas to all consumers. The guaranteed minimum revenue was designed to cover the costs of running the distribution networks efficiently, depreciation of future investments and interests as well as repayment of existing and future debt to secure repayment of the companies’ debt before the end of 2014, with the exception of debt attributable to new investments made after 2000. NGMN and HNG also entered into a swap arrangement with the Kingdom of Denmark providing protection against increasing financing costs in the years 2006-2010

However, the DONG 2000 Agreement (and St. Hans Agreement with the Government) was presented to the European Commission, which responded negatively to the clauses concerning binding retail prices on natural gas and the agreement on future market division between the companies. Danish legislation demanding “binding retail prices” on natural gas has accordingly been changed by the Danish Parliament.

To uphold the economic balance of the DONG 2000 Agreement, the parties hereto renegotiated the terms subject to the critique of the European Commission and a revised Agreement was agreed on 7 March 2003 (the “**DONG 2003 Agreement**”) replacing the DONG 2000 Agreement.

The DONG 2003 Agreement contains an exclusive Gas Purchase Agreement that allows gas to be sold to consumers at prices competitive to oil and to other gas-suppliers in the market. Applicable from the termination of the Gas Purchase agreement, which was agreed to be 1 January 2009, HNG and NGMN have - with a view to preserving the market for natural gas compared to other energy sources - been awarded an option by DONG until 31 December 2012, to supply natural gas to consumers with a right to choose their supplier but who have declined to exercise that right. Such natural gas is to be supplied at competitive prices compared to the prices on heating oil in the market for heating of private homes and other small-scale consumers.

#### *Minimum Revenue*

As in the DONG 2000 Agreement, the DONG 2003 Agreement secures HNG and NGMN minimum revenue from distribution of gas to the consumers of the competing companies and other gas consumers accessing the distribution grid. The level of guaranteed minimum revenue from the distribution network is calculated to match operating costs under deemed efficient operation, depreciation of capital investment, interest expenses on related debt and repayment of such debt.

Until 31 December 2004 the minimum revenue of HNG and NGMN was fully guaranteed by DONG Naturgas A/S. The guarantee obligations of DONG from 1st January 2005 to 30th September 2012 are, however, limited to a maximum cumulated amount of DKK 300 million. This maximum amount will decrease by DKK 15 million per year from 1st January 2006 until 1st January 2012 when the maximum payable under the guarantee will be DKK 195 million.

HNG and NGMN shall in this respect make provisions for profit from revenues exceeding calculated average revenues. The provisions shall cover future loss from revenues falling short of calculated average revenues. The provisions must be utilised prior to any withdrawal from the guarantee from DONG. To the extent that the provisions are not utilised to cover revenue shortfalls before the end of the third year following the establishment of the provisions, the provisions including interest shall be paid to DONG Naturgas A/S. Any unutilised provisions existing at the termination of the DONG 2003 Agreement shall be transferred to HNG and NGMN.

The rationale behind the guarantee is to secure HNG and NGMN the ability to effect debt repayment as originally anticipated and to increase the ability of HNG and NGMN to tolerate fluctuations in total gas consumption without having to increase distribution tariffs.

To date, the cost-saving from co-operation between HNG and NGMN have improved the joint competitive positions of HNG and NGMN.

The DONG 2003 Agreement came into force 1st October 2002 and expires on 31st December 2012. The expiry of the Agreement may lead to an increase in tariffs from distribution by HNG and NGMN due to expiry of the guarantee subject to fluctuations in total gas consumption and the competitive position of natural gas compared to gas oil.

### *Ruling by the Danish Competition Agency in December 2005*

In summer 2003 the DONG 2003 Agreement was submitted to the Danish Competition Agency and the European Commission. The Danish Competition Agency and the European Commission agreed that the Danish Competition Agency should be responsible for competition law aspects of the agreement while the European Commission should be responsible for aspects relating to Government subsidies. On 12 August 2005, the Danish Competition Agency presented HNG and NGMN with a draft decision under its mandatory public consultation obligation towards HNG and NGMN indicating that parts of the DONG 2003 Agreement could be in violation of the Danish Competition Act and art 81 of the EC-treaty. Subsequent negotiations led to a change in the DONG 2003 Agreement, which was approved by the Danish Competition Agency in December 2005. According hereto, the exclusive gas purchase agreement has been shortened by two years and will conclude on 1st January, 2007. The remaining provisions under the DONG 2003 Agreement remain unchanged.

A decision on aspects relating to potential Government subsidies has not yet been communicated by the European Commission.

### **Deregulation of the Market for Natural Gas and Separation of Monopolistic and Commercial Activities**

In pursuance of the EU directive for the Internal Market for Natural Gas as implemented by the Danish Natural Gas Supply Act, the opening of the market in the EU member states was to commence no later than on 10th August, 2000.

#### *Handel A/S and Salg A/S*

In an amendment to the Natural Gas Supply Act passed by the Danish Parliament on 7th June 2001 the partnerships HNG and NGMN were obliged to operate their supply licences in limited companies from 1st January 2003. Accordingly, HNG Midt-Nord Handel A/S (“**Handel A/S**”) and HNG Midt-Nord Salg A/S (“**Salg A/S**”) were established. A third company, HNG Midt-Nord Erhverv A/S, was established to be in charge of all non-license activities of HNG and NGMN, including projecting activities, sale of services for digitised maps and export activities.

Salg A/S and HNG Midt-Nord Erhverv A/S are jointly and equally owned by HNG and NGMN and Handel A/S is a wholly-owned subsidiary of Salg A/S.

Salg A/S is engaged in the competitive, deregulated retail natural gas market where gas is supplied on fixed terms. As of 1 January 2003 Salg A/S was awarded a five-year licence to supply consumers with gas on such terms. “Fixed terms” means that the same prices and other terms, including standard discounts, apply to similar consumers.

Handel A/S is engaged in supplying consumers on individually negotiated terms.

The Ministry of Economic and Business Affairs supervise that Salg A/S and Handel A/S fulfil their obligations under the supply licences.

#### *Equal Access to Pipelines*

In accordance with the directive, owners of pipelines, such as HNG and NGMN, must grant access hereto on equal terms to any gas supplier wishing to compete for consumers on the deregulated gas supply markets. The directive offered the possibility for a slow and gradual opening of the market, but the Danish Government opted to follow a faster route and opening of the market was completed by 1st January, 2004 as set out in Executive Order No 359 of 20th May, 2003.

The opening of the market may lead to fluctuations in the total supply of natural gas by Salg A/S and Handel A/S. Such fluctuations may affect the income of these limited companies to the extent that the companies may not be able to adjust their costs to the actual supply. The developments of costs and income in the companies are not expected to be linear in the event that the number of consumers changes.

#### *Break-up of the DONG 2003 Agreement*

Following the separation of monopolistic and commercial activities of HNG/NGMN regarding the amendment of 7th June, 2001 to the Natural Gas Supply Act, the DONG 2003 Agreement was split up. Consequently, the provisions within the DONG 2003 Agreement relating to the purchase of gas have been transferred to Salg A/S, while provisions relating to the supply of gas have been transferred to Handel A/S.

As Handel A/S and Salg A/S have status as Danish public limited companies, HNG and NGMN are jointly and severally liable for the fulfilment of all obligations in the DONG 2003 Agreement, including those obligations transferred to Handel A/S and Salg A/S.



Upon expiry of the Agreement, there is no guarantee that Salg A/S will be able to buy natural gas at a price that makes the company competitive.

In June 2006 Salg A/S and Handel A/S entered into an Agreement with DONG with respect to gas purchases from 2007 to 2009. The agreement will cover at least 60 per cent. of sales by Salg A/S and Handel A/S in the period from 2007 to 2009.

Between 1st January, 2004 and 1st January, 2006 the total number of customers of Handel A/S and Salg A/S increased from 216,000 to 224,000 while the annual consumption of gas decreased from 861 million cubic metres to 759 million cubic metres. Despite the increase in the total number of customers, the consumption of gas has nonetheless decreased because Handel A/S and Salg A/S have lost a number of their larger customers. HNG and NGMN are still distributing gas to these large customers in their respective supply areas.

#### *Further separation of monopolistic and commercial activities*

An amendment to the Natural Gas Supply Act by Act No 494 of 9th June 2004 affects the organisation of HNG and NGMN. In pursuance of the new Section 28b, executives, vice-presidents, assistant managers, management employees and board members in a transmission or distribution enterprise cannot directly or indirectly take part in the operations or management of an enterprise which sells or produces natural gas. Board members, who were in one or more boards by 21st April 2004, may, however, continue in such boards for the remaining time of their election period. As for employees, executives etc., the obligation not to take part in various enterprises shall be complied with by 1st July 2007. Further, distribution and transmission enterprises will have to implement procedures to ensure that they will not discriminate between companies in which they hold an interest and other non-related companies.

Accordingly, the amendment affects the structuring of the gas industry by separating the management of the different enterprises within a group in order to ensure that each enterprise within a group is operated as an independent company. The overall aim of the amendment is to create more competition in the gas industry and to secure a genuine separation between monopolistic activities and commercial activities in the gas industry.

Furthermore, distribution networks owned by licensees as well as ownership interests in distribution enterprises which own such networks may only be sold to the Danish State. Should 50 per cent or more of the ownership interest in a company which directly or indirectly holds ownership interests in such a distribution company be transferred to a new owner after 21st April 2004, or if such owners themselves, or together with other owners, obtain control of such a distribution company, they are obliged to hand over the ownership interest in the distribution company to the Danish State. However, changes in ownership interest due to partners being appointed to or resigning from a joint municipal distribution company are not subject to these changes of ownership provisions.

#### *Distribution*

As part of the deregulation, HNG and NGMN were in 2003 awarded twenty-year licences to operate the monopolistic activities in terms of the technical natural gas grid for all consumers in their respective supply regions. These licences carry the obligation to operate or extend the grid to any consumer covered by valid heat plans wishing to buy natural gas. In practice this means that HNG and NGMN will operate the gas grid, including meter reading and performing safety checks of consumer appliances.

Gas must be transported under public tariffs on a non-discriminatory basis. The tariffs are to cover distribution only and are set by HNG and NGMN. However, the Danish Energy Regulatory Authority, "*Energitilsynet*", (the "DERA"), a governmental entity, is responsible for tariffs and terms of gas distribution, including ensuring that the tariffs are fair and that the monopolistic parts of the natural gas business are operated in an efficient manner. Consumers have the right to submit complaints about the tariffs to the DERA. The technical standards of the distribution will, as in the past, be supervised by the Governmental Gas Institute under the Ministry of Economic and Business Affairs (Responsible for Housing).

The Minister of Transport and Energy has the authority to approve the general code for gas transportation and will handle complaints relating to the code. The Minister also has the authority to establish obligations in the areas of research and development and counselling of consumers on energy conservation. The Minister controls the licence terms and the Minister will also ensure that the public service obligations of HNG and NGMN are fulfilled.



## **Regulation of Tariffs**

The pipeline and gas distribution activities within HNG and NGMN are subject to regulation by the DERA. DERA is an independent authority that supervises monopolistic companies in the Danish energy sector including electricity, natural gas and district heating. DERA regulates the prices and terms of supply offered on fixed terms by monopoly companies – including the terms applying to access to transmission and distribution networks.

The income framework broadly differentiates between three elements of income; recovery of operating costs, depreciation of assets and return on invested capital, which includes both debt and equity.

The income framework for gas distribution companies has been revised, presenting a new framework from the calendar year 2005. While this has not had an effect on operating cost recovery and depreciation of assets, the income framework differentiates between capital invested prior to 1st January 2005 and new investment on or after 1st January 2005.

## **Recovery of costs**

The regulatory framework is based on the principal of efficient operation of the gas distribution networks. The framework allows for the recovery of all costs related to the operation of the pipelines, including associated central overhead costs, under efficient operation as determined by DERA. DERA defines and sets efficient operating requirements individually for the Companies on the basis of benchmarking and other criteria. DERA communicates the efficiency criteria for a regulatory period of four years.

## **Depreciation of assets**

Depreciation of existing and new capital investment is recoverable in accordance with a depreciation schedule published by DERA.

## **Return on invested capital - Assets and equity in place prior to 1st January 2005**

Debt and debt-service costs are recoverable at a cost set by DERA and including the settlement of existing debt by 2014.

HNG and NGMN achieve profitability by outperforming relative to DERA's efficiency requirements. There is no provision for a return on equity invested.

For the period from 2006 to 2010, where HNG and NGMN have entered into an interest rate swap with the Kingdom of Denmark (described under the business descriptions of HNG and NGMN respectively), DERA has allowed an additional interest cost recovery element to avoid a shortfall between the allowed tariff and actual interest costs.

## **Return on invested capital (ROIC) - New investment on or after 1st January 2005**

The tariff includes a return on capital invested on or after 1st January 2005. The allowed ROIC is determined by DERA on the basis of an assumed weighted average cost of capital with a capital structure composed of 30% equity and 70% debt.

The allowed return on equity (ROE) is determined by DERA on the basis of a risk free rate, the market return on equity and a company specific risk adjustment. All three components (risk free rate, market return on equity and company specific risk adjustment) are determined by DERA.

### *Executive Order on Income Framework*

In accordance with the Natural Gas Supply Act, the Minister for Economic and Business Affairs has issued a ministerial decree on income frameworks (setting limits of revenue) which came into force on 1st January, 2005 (the "Income Order").

The Income Order applies to regional gas companies with distribution licenses. The Income Order introduces an amended non-profit principle setting limits of revenue factoring in the costs of running the distribution networks efficiently, depreciation of future investments and cost (interests) as well as repayment of existing and future debt, for the regional gas companies obliged to distribute and supply gas. The new principle will include revenue limits, including efficiency requirements on the basis of efficiency assessments and benchmark analyses carried out by the DERA.

Consequently, the Income Order sets the revenue limits on the basis of cost reductions as specified in the St. Hans Agreement, i.e. to ensure that historical debt is repaid before the end of 2014. Additional demands for improved efficiency may be made on the basis of efficiency assessments and benchmark analyses. As the St. Hans Agreement also stipulates joint repayment of debt by companies which are party to the St. Hans Agreement, the revenue limits for these companies must be set in accordance with the total costs of the companies.

The revenue limits may only include return on loan capital and invested capital. The revenue limits may, however, not include a return on equity or return on the contribution from municipal partners that is not invested capital. The regional companies have been substantially financed by a specific government subsidy designed to promote renewable energy (“*skyggeafgift*”) and any equity in the companies that is not invested capital must have originated from this subsidy. It is therefore deemed that local authority owners should not receive return on capital that in reality has been provided by the Government.

The DERA may grant exemptions from the revenue limits that have been set by the DERA itself if necessary for the company to meet its obligations in accordance with the Natural Gas Supply Act. This possibility is not intended to protect companies that repeatedly fail to enhance efficiency but rather to ensure the provision of distribution services to all customers.

The Income Order is in accordance with the Natural Gas Supply Act and mirrors the provisions of the St. Hans Agreement and the DONG 2003 Agreement with respect to the provisions on revenue from distribution of gas to all consumers.

The swap agreement mentioned above entered into with the Kingdom of Denmark for the years 2006-2010 is specifically referred to in the Income Order.

The Income Order resulted in a write-down of the carrying amount of the distribution system assets of HNG and NGMN by DKK 1,615m and DKK 1,225m respectively, as described in the 2005 Annual Reports of HNG (pg. 6) and NGMN (pg. 4). The write-downs were recognised directly in the equity of HNG and NGMN.

## DESCRIPTION OF HOVEDSTADSREGIONENS NATURGAS I/S

### Introduction

HNG was founded on 26th November, 1979 after the Danish Parliament (*Folketinget*) passed the Construction & Installation Act for Denmark's Natural Gas Supply earlier that year, to establish and operate a natural gas distribution system within the area of the counties of Copenhagen, Frederiksborg and Roskilde. This corresponds to a geographic area of 2,634 square kilometres with 1.2 million inhabitants.

HNG is a municipal partnership owned by 47 of the area's 48 municipalities. The partners are jointly and severally liable to the full extent of their assets for the liabilities of HNG to third parties. HNG's partnership capital was raised by the partner municipalities from their own funds. HNG is established for an indefinite time.

The establishment of HNG and HNG's Articles of Partnership has been approved by the Danish Ministry of the Interior and Health and HNG is subject to the same regulation and supervision as a municipality. HNG has a special municipal status assigned with the municipal task of supplying gas across municipal borders.

The Danish Government has adopted a plan to restructure the Danish local administrative landscape. According to the plan all counties will cease to exist with effect from 1st January 2007. Some of the duties and rights of the counties, such as large-scale health centres, will be transferred to new regional administrations ("Regions"), and other duties and rights of the counties will be transferred to local municipalities. The future municipalities of Denmark will consist of present large municipalities and new municipalities formed through mergers of small, present municipalities.

As the existing municipality "Græsted-Gilleleje", not a partner in HNG, is subject to such merger, the restructure will mean that all of the current 48 municipalities in HNG's area will become partners in HNG. However, due to the mergers of small municipalities, there will in future be only 35 municipalities in HNG's area and thus only 35 partners in HNG. The new municipalities will be liable for the obligations of the merged municipalities, including their liability as partners in HNG. As the area, and thus the population subject to taxation, will be the same as before the merger of municipalities (except for the inclusion of the population in Græsted-Gilleleje), the restructured Danish local administrative landscape is not expected to affect HNG's financial status. The merger of municipalities is to have effect from 1st January, 2007.

Not all municipalities in HNG's area will be subject to a merger. Municipal elections were held in all municipalities in November 2005. Elected representatives will be responsible for the planning of the merger in municipalities subject to a merger. In the municipalities not subject to a merger, the elected representatives will function as city council members.

### Business Overview

HNG is a regional natural gas company whose function is to distribute natural gas within the counties of Copenhagen, Frederiksborg and Roskilde (HNG does not distribute gas within the City of Copenhagen). In connection with the distribution of gas, HNG installs and maintains natural gas pipelines in the area. HNG distributes natural gas to domestic properties, minor industrial customers, DONG and to DONG's customers (major industrial customers). Following deregulation of the natural gas retail market in 2003, HNG has been required to transport gas for competitors within HNG's geographic area.

HNG is the largest regional natural gas company in Denmark by customers, operating approximately 393 km of main pipelines and 4,283 km of local distribution lines. Distribution is provided to approximately 171,000 customers and the annual transport of natural gas reached 1,064 million cubic metres in 2005. HNG's long-term goal is for distribution to reach approximately 184,000 customers with an annual consumption of 1,085 million cubic metres in 2014. This is to be achieved through advertising campaigns and capturing potential customers from the oil-fired heating market.

HNG had 252 employees in 2005, all employed under public sector salary agreements.

### Management

#### *Committee of Representatives*

The highest authority of HNG is the Committee of Representatives. The Committee of Representatives, with 71 members (from 23rd February, 2007 the number of members of the Committee of Representatives will be reduced from 71 to 47), is composed so that each municipality is represented in accordance with to its potential natural gas market. However, each municipality has at least one representative (with one vote

each). Each municipality elects its own representative to the Committee of Representatives. The electoral period is 4 years, with elections coinciding with municipal elections. The most recent municipal elections were held in November, 2005.

As a result of the above mentioned restructuring of the Danish local administrative landscape the municipal representatives subject to a merger will have their period extended to 1st January, 2007. As for the municipalities that are not subject to a merger, new representatives were appointed by 1st January, 2006.

The two largest parties represented on the Committee of Representatives are the "Socialdemokraterne" (the "Social Democrats") and the "Venstre" (the "Liberal Party").

The Committee of Representatives ensures that HNG's activities comply with the objectives set by the municipalities. These objectives cover such matters as development, operation, marketing and pricing policy. The Committee of Representatives approves HNG's budget and accounts.

#### *Board of Directors*

The Board of Directors is comprised of nine members. Each member is elected by, and from members of the Committee of Representatives. A chairman is elected from the Board of Directors. The Board of Directors ensures that decisions of the Committee of Representatives are carried out and has day-to-day management responsibility for HNG.

The Board of Directors does not, traditionally, vote along political or party lines.

#### *Board of Managers*

The day-to-day management of HNG is carried out by a Board of Managers consisting of a managing director, a technical director and a finance director. From 1st January, 2007 the Board of Managers will consist of a managing director only.

#### *Auditors*

The auditor is appointed by the Committee of Representatives. In 2000 and 2001, this was Arthur Andersen in cooperation with the Municipalities' Auditing Department. The 2002-2005 audits have been carried out by Deloitte in co-operation with the Municipalities' Auditing Department. PricewaterhouseCoopers has been appointed new auditor of HNG from 2006. PricewaterhouseCoopers will carry out the 2006 audit.

The financial year of HNG is the calendar year.

#### *Board of Directors*

Mr. Nick Hækkerup	<i>Chairman</i>
Mr. Bent Lund	<i>Vice-Chairman</i>
Mr. Ole Bjørstorp	
Mr. Ove E. Dalsgaard	
Mr. René Milo	
Mr. Jens Jørgen Nygaard	
Mr. Mikael Mogensen	
Mr. Hans Toft	
Mrs. Anne Marie Wivel	

#### *Business Addresses, Board of Directors*

Mr. Nick Hækkerup:  
Hillerød Kommune, Rådhuset  
39, Frederiksværksgade  
DK-3400 Hillerød

Mr. Bent Lund:  
6, Kirketorvet  
DK-3550 Slangerup

Mr. Ole Bjørstorp:  
Ishøj Kommune, Rådhuset  
20, Ishøj Store Torv  
DK-2635 Ishøj

Mr. Ove E. Dalsgaard:  
Ballerup Kommune, Rådhuset  
7, Hold-an Vej  
DK-2750 Ballerup

Mr. René Milo:  
Greve Kommune,  
22, Gadesvinget  
DK-2670 Greve

Mr. Jens Jørgen Nygaard  
Rådhuset  
77, Flodvej  
DK-2765 Ledøje-Smørum

Mr. Mikael Mogensen  
7, Flindtsvej  
DK-4600 Køge

Mr. Hans Toft:  
Gentofte Kommune, Rådhuset  
161, Bernstorffsvej  
DK-2920 Charlottenlund

Mrs. Anne Marie Wivel  
80 A, Attemosevej  
DK-2840 Holte

*Board of Managers*

Mr. Niels Erik Andersen	<i>Managing Director</i>
Mr. Ole Nygaard Olsen	<i>Technical Director</i>
Mr. Ole Albaek Pedersen	<i>Finance Director</i>

From 1st January, 2007 the Board of Managers will consist of Managing Director Mr. Niels Erik Andersen only.

*Business address, Board of Managers:*

11, Gladsaxe Ringvej  
DK-2860 Soeborg  
Denmark

*Potential conflicts of interests*

The above Mr. Bent Lund, mayor of the Municipality of Slangerup, Mr. Ove E. Dalsgaard, mayor of the Municipality of Ballerup, Mr. Ole Bjørstorp, Mayor of the Municipality of Ishøj, Mr. Jens Jørgen Nygaard, mayor of the Municipality of Ledøje-Smørum and Mr. Hans Toft, mayor of the Municipality of Gentofte, are both members of the board of directors in HNG and members of the chairmanship in a direct competitor of HNG, Vestforbraending in Glostrup, Copenhagen.

Furthermore, some of the above board-members may be members of the board of directors of local heat supply partnerships/companies, competing with HNG. In addition, the above board members are all members of the owner-municipalities' councils.

These relations may give rise to potential conflicts of interests, mainly, however, in two situations: (1) Where the board member's municipal council in accordance with the provisions of the Danish Act on Heat Supply allows alternative collective heat supply to be delivered to the citizens of the municipality by HNG's competitors, and (2) where HNG's board members also participate as board members in businesses, competing with HNG.

None of the above mentioned relations has given HNG reason for considerations regarding the membership of the above board members in HNG's Board of Directors.

In accordance with the provisions of the Danish Local Government Act and legal principles regarding the management of Danish partnerships/companies, a member is obliged to resign from his/her seat during the council's/board's hearing of a specific matter if the member has conflicts of interests regarding such matter. The fulfilment of the obligation to resign is ensured by the members of the remaining municipality council/board of directors.



## Organisation

HNG is organised into a technical department and a finance department. After concentrating on construction and installation while the basic grid distribution system was installed, HNG has now refocused with emphasis on customer service and marketing.

HNG is registered in the Kingdom of Denmark with registration number 885 688 18. The registered office of HNG is Gladsaxe Ringvej 11, PO Box 83, 2860 Soeborg, Denmark and its telephone number is 00 45 3954 7000.

Prior to 1st January, 2003, HNG and NGMN established two limited companies, Handel A/S and Salg A/S. Salg A/S is jointly and equally owned by HNG and NGMN and Handel A/S is a wholly-owned subsidiary of Salg A/S.

Salg A/S is engaged in the competitive, deregulated retail market for natural gas to be supplied on fixed terms.

Handel A/S is engaged in supplying consumers on individually negotiated terms.

## The DONG 2003 Agreement

Handel A/S and Salg A/S buy natural gas from DONG under the terms of the DONG 2003 Agreement as amended.

The DONG 2003 Agreement came into force on 1st October, 2002 and terminates on 31st December, 2012.

The DONG 2003 Agreement contains a Gas Purchase Agreement which, cf. above regarding the Danish Competition Agency, terminates on 31st December, 2006. The gas purchase terms have been calculated to ensure that expected yearly earnings are sufficient to provide a small margin to Salg A/S and Handel A/S. The gas purchase terms are calculated using a formula based on oil prices, ensuring competitive pricing of the gas supplied by DONG Naturgas A/S.

From 1st January, 2009, until 31st December, 2012, HNG and NGMN have, with a view to preserving the market for natural gas compared to other energy sources, been awarded an option by DONG Naturgas A/S (the “**Call-Option**”) to supply natural gas to consumers with a right to choose their supplier but who have declined to exercise that right. Such natural gas is to be supplied at competitive prices compared to the prices on heating oil in the market for heating of private homes and other small-scale consumers.

The DONG 2003 Agreement secures HNG and NGMN minimum revenue from the distribution of gas to consumers. The level of guaranteed minimum revenue from the distribution network is calculated to match operating costs under deemed efficient operation, depreciation of capital investment, interest expenses on related debt and repayment of such debt.

Until 31st December, 2004 the minimum revenue of HNG and NGMN was fully guaranteed by DONG Naturgas A/S. From 1st January, 2005 to 30th September, 2012 the maximum compensation available under the guarantee obligations of DONG Naturgas A/S is, however, limited to a cumulative amount of DKK 300 million. This maximum cumulative amount will decrease by DKK 15 million per year from 1st January, 2006 until 1st January, 2012 when the maximum payable compensation under the guarantee will be DKK 195 million. Thus, the maximum cumulative compensation amount of the guarantee obligation is limited in accordance with the following schedule:

Financial Year	DKK millions
2005	300
2006	285
2007	270
2008	255
2009	240
2010	225
2011	210
2012	195

Whilst DONG Naturgas A/S guarantees HNG minimum revenue for the distribution of gas to customers, HNG and NGMN shall make provisions for excess profitability (i.e. when revenues are above calculated average revenues for a particular financial year). These provisions shall be drawn upon in the case of losses due to revenues being below the calculated average for the specific financial year. These provisions must be utilised prior to any withdrawal from the guarantee from DONG Naturgas A/S. To the extent that provisions are not utilised to cover losses before the end of the third year following the establishment of the provisions, the provisions, including interest, shall be paid to DONG Naturgas A/S. Any unutilised provisions existing at the termination of the DONG 2003 Agreement shall be transferred to HNG and NGMN.

In accordance with the DONG 2003 Agreement, gas transportation tariffs must be sufficient to cover the payment of the natural gas grid. On this basis, tariff levels are continually reviewed. HNG has a discretionary right to raise gas transportation tariffs to ensure that all costs (operational and financial as outlined above) are covered by revenues.

In a separate agreement concluded immediately after the St. Hans Agreement, the Minister of Finance extended – on behalf of the Kingdom of Denmark – an interest-rate guarantee to HNG as of 2006 up to and including 2010 on the expected debt of HNG for each year.

Taking into account the DONG 2003 Agreement the basic unsecured risks in HNG and NGMN are limited to:

- the level of operating expenses of HNG and NGMN.
- Interest rate risk and currency risk for the year 2005 and the years following 2010 (to the extent the businesses have floating-rate debt after 2010), HNG and NGMN will have an interest rate risk regarding their floating rate debt. Based on the business plans and the DONG 2003 agreement the financial debt is to be continuously repaid and will be reduced to below DKK 3 billion for HNG and NGMN in total by the end of 2010.
- In 2006-2010 the two businesses may have a marginal interest rate risk as the notional of the swap agreement with the Kingdom of Denmark may differ slightly from the actual levels of debt. Up to 20 per cent. of the outstanding debt of HNG and NGMN can be in currencies other than DKK and EUR (mainly CHF) and the two businesses may suffer a loss due to changes in exchange rates in foreign currencies.
- a very unusual high number of warm years.
- The joint and several liability for Handel A/S' and Salg A/S' fulfillment of the transferred parts of the DONG 2003 Agreement.
- Customers switch to other kinds of energy in accordance with the Danish Heat Supply Act.

### Construction

The main construction in HNG's area took place in the years 1983-87. Investment in the next 10 years will be primarily related to connecting new customers and maintaining the existing grid. Depreciation and interest on new investments will be covered by the tariffs.

### Volumes of Transportation

The volumes of natural gas transported in the years 2001-2005 were as follows:

Volumes transported, millions of cubic metres

2001	2002	2003	2004	2005
1,074	1,047	1,074	1,090	1,064

### Financing

HNG's debt peaked in 1993 and HNG has since then begun repaying its debt. Under the St. Hans Agreement, HNG has agreed to postpone the repayment of its debt from 2004 to 2014. HNG will depreciate all earlier capital expenditure equally over the years until 2025. New capital expenditure in distribution systems is to be depreciated over 30 years.

HNG's gross capital requirements will, as a consequence of partial refinancing of existing debts, be approximately DKK 1,500 million in 2007, 600 million in 2008 and 900 million in 2009.

When raising loans, HNG is not restricted in its choice of currency, fixed or variable rates of interest and terms. Accordingly, HNG may adapt its borrowing to market conditions. HNG's board of directors has authorised HNG's management to carry out the necessary transactions in connection with the raising of financing within the limits of the joint financial policies.

Until 1st July, 1986, HNG was restricted to issuing domestic bond loans or raising foreign loans through the Mortgage Bank and the Financial Administration Agency of the Kingdom of Denmark or the European Investment Bank. Since the middle of 1986, HNG has been allowed to raise loans in its own name. HNG has full access to borrow under the umbrella of Kommunekredit, rated Aaa by Moody's.

HNG I/S and Naturgas Midt-Nord I/S pursue joint financial policies. The financial policies lay down the guidelines for the companies' borrowing, conversion of loans and allocation of available funds with a view to securing the lowest possible financing costs without subjecting the companies to any material risks.

The share of debt in currencies other than DKK and EUR must not exceed 20 per cent.

The exposure in currencies other than DKK and EUR is determined on the basis of interest savings and expectations with respect to exchange rate movements.

The following financial instruments are used to cover and hedge risks:

- Interest swaps, currency swaps and options linked to loans contracted
- Forward contracts and interest agreements linked to repayments of loans.

### **Distribution of Profits**

No profits have been distributed by HNG since its foundation.

### **HNG's 47 Partner Municipalities**

<b>County of Copenhagen</b>	<b>County of Frederiksborg</b>	<b>County of Roskilde</b>
Albertslund	Allerød	Bramsnæs
Ballerup	Birkerød	Greve
Brøndby	Farum	Gundsø
Dragør	Fredensborg-Humlebæk	Hvalsø
Gentofte	Frederikssund	Køge
Gladsaxe	Frederiksværk	Lejre
Glostrup	Helsingø	Ramsø
Herlev	Helsingør	Roskilde
Hvidovre	Hillerød	Skovbo
Høje-Taastrup	Hundested	Solrød
Ishøj	Hørsholm	Vallø
Ledøje-Smørum	Jægerspris	
Lyngby-Taarbæk	Karlebo	
Rødovre	Skibby	
Søllerød	Slangerup	
Tarnby	Skævinge	
Vallensbæk	Stenløse	
Værløse	Ølstykke	

### **Legal Structure**

The legal structure of HNG is a partnership under section 60 of the Danish Local Government Act. Under Danish law, all members of the partnership are jointly and severally liable to the full extent of their property for the total debt of the partnership. HNG is duly qualified, as a separate legal entity, to act in its own name.

The Articles of Partnership of HNG, in connection with the legislation and common practice regarding fully liable partnerships in Denmark, provide a full guarantee for HNG's debt from each and every member (the municipalities).

## DESCRIPTION OF NATURGAS MIDT-NORD I/S

### Introduction

Naturgas Midt Nord (“NGMN”) was founded on 29th October, 1982 after the Danish Parliament (*Folketinget*) passed the Construction & Installation Act for Denmark’s Natural Gas Supply earlier that year, to establish and operate a natural gas distribution system within the area of the counties of Ringkjøbing, Aarhus, Viborg and Nordjylland. This corresponds to a geographic area of 17,230 square kilometres with 1.5 million inhabitants.

NGMN is a municipal partnership, owned by 74 municipalities. The partners are jointly and severally liable to the full extent of their assets for the liabilities of NGMN towards third parties. NGMN’s capital stock was raised by the partner municipalities from their own funds. NGMN is established for an indefinite time.

The establishment of NGMN and NGMN’s Articles of Partnership has been approved by the Danish Ministry of the Interior and Health and NGMN is subject to the same regulation and supervision as a municipality. NGMN has a special municipal status assigned with the municipal task of supplying gas across municipal borders.

The Danish Government has adopted a plan to restructure the Danish local administrative landscape. According to the plan all counties will cease to exist with effect from 1st January 2007. Some of the duties and rights of the counties, such as large-scale health centres, will be transferred to new regional administrations (“Regions”), and other duties and rights of the counties will be transferred to the local municipalities. The future municipalities of Denmark will consist of present large municipalities and new municipalities formed through mergers of small, present municipalities.

Due to the mergers of small municipalities, there will in the future be only 25 municipalities and thereby partners in NGMN. The new municipalities will be liable for the obligations of the merged municipalities, including their liability as partners in NGMN. As the area, and thus the population subject to taxation, will be the same as before the merger of municipalities, the restructured Danish local administrative landscape is not expected to affect NGMN’s financial position. The merger of municipalities is to have effect from 1st January, 2007.

Not all municipalities in NGMN’s area will be subject to a merger. Municipal elections were held in all municipalities in November 2005. Elected representatives will be responsible for the planning of the merger in municipalities subject to a merger. In municipalities not subject to a merger, the elected representatives will function as city council members.

### Business Overview

NGMN is a regional natural gas company whose function is to distribute natural gas within the counties of Ringkjøbing, Aarhus, Viborg and Nordjylland. In connection with the distribution of gas, NGMN installs and maintains natural gas pipelines in the area. NGMN distributes natural gas to domestic properties, minor industrial customers and to the customers of DONG (major industrial customers). Following deregulation of the retail market for natural gas in 2003, NGMN has been required to transport gas for competitors within NGMN’s geographic area.

NGMN currently operates approximately 875 km of main pipeline and 3,880 km of local distribution lines. Distribution is provided to approximately 55,000 customers and the annual transport of natural gas amounted to 1,141 million cubic metres in 2005. A large part of the portfolio consists of customers in the oil-fired heating market.

In 2005 NGMN had 174 employees, all paid according to Public Sector salary agreements.

### Management

#### *Committee of Representatives*

The highest authority of NGMN is the Committee of Representatives. The Committee of Representatives, with 147 members (from 2nd February, 2007 the number of members of the Committee of Representatives will be reduced from 147 to 50), is composed so that each municipality is represented in accordance with its potential natural gas market. However, each municipality has at least one representative (with one vote each). Each municipality elects its own representative to The Committee of Representatives. The electoral period is 4 years, with elections coinciding with municipal elections. The most recent municipal elections were held in November, 2005.

As a result of the above mentioned restructuring of the Danish local administrative landscape, the municipal representatives subject to a merger will have their period extended to 1st January, 2007. As for the municipalities that are not subject to a merger, new representatives were appointed by 1st January, 2006.

The majority on the NGMN Committee of Representatives comprise Liberal Party members.

The Committee of Representatives ensures that NGMN's activities comply with the objectives set by the municipalities. These objectives cover such matters as development, operation, marketing and pricing policy. The Committee of Representatives approves NGMN's budget and accounts.

#### *Board of Directors*

The Board of Directors is comprised of 13 members (from 2nd February, 2007 the number of members of the Board of Directors will be reduced from 13 to 9). Each member is elected by, and from members of the Committee of Representatives. A chairman is elected from the Board of Directors. The Board of Directors ensures that the decisions of the Committee of Representatives are carried out and has day-to-day management responsibility for NGMN.

#### *Board of Managers*

The day-to-day management of NGMN is carried out by a Board of Managers consisting of a managing director.

#### *Auditors*

The Auditor is appointed by the Committee of Representatives. In 2000 and 2001, this was Arthur Andersen in cooperation with the Municipalities' Auditing Department. The 2002-2005 audits have been carried out by Deloitte in cooperation with the Municipalities' Auditing Department. PricewaterhouseCoopers has been appointed new auditor of NGMN from 2006. PricewaterhouseCoopers will carry out the 2006 audit.

The financial year of NGMN is the calendar year.

#### *Board of Directors*

Mr. Kaj Kristensen	<i>Chairman</i>
Mr. Bent Kornbek	<i>Vice Chairman</i>
Mrs. Connie Billund	
Mr. Jens Groenlund	
Mrs. Mariann Noergaard	
Mr. Per Noergaard	
Mr. Torben Noerregaard	
Mr. Anker Lauridsen	
Mrs. Tove Bakke Laursen	
Mr. Ib Rasmussen	
Mrs. Else Købstrup	
Mr. Kurt Nygaard	
Mr. Jens Ingolf Nørgaard	

#### *Business Addresses, Board of Directors*

Mr. Kaj Kristensen:  
22, Mågevej  
DK-7700 Thisted

Mr. Bent Kornbek  
38, Nørrehedevej, Tange  
DK-8850 Bjerringbro

Mrs. Connie Billund:  
8, Degnebakken  
DK-9830 Tårs

Mr. Jens Groenlund:  
19, Hårbyvej, Stjær  
DK-8464 Galten

Mrs. Mariann Noergaard:  
25, Christianshøjvej  
DK-9270 Klarup



Mr. Per Noergaard:  
121, Svoldrupvej, Vognsild  
DK-9600 Aars

Mr. Torben Noerregaard:  
69, Bredgade  
DK-6920 Videbæk

Mr. Anker Lauridsen:  
5, Vester Marupvej  
DK-6900 Skjern

Mrs. Tove Bakke Laursen:  
32, Ålborggade  
DK-8900 Randers

Mr. Ib Rasmussen:  
35, Forbindelsesvej  
DK-9400 Nørresundby

Mrs. Else Købstrup:  
24, Rakkebyvej, Hæstrup  
DK-9800 Hjørring

Mr. Kurt Nygaard:  
41, Knud Rasmussens Vej  
DK-7500 Holstebro

Mr. Jens Ingolf Nørgaard:  
42 B st, Sct Nicolaigade  
DK-8800 Viborg

#### *Board of Managers*

Mr. Peter Vadstrup Jensen    *Managing Director*  
Business address :  
14, Vognmagervej  
DK-8000 Viborg

#### *Potential conflicts of interests*

Some of the above board-members may be members of the board of directors of local heat supply partnerships/companies, competing with NGMN. In addition, the above board members are all members of the owner-municipalities' councils.

These relations may give rise to potential conflicts of interests, mainly, however, in two situations: (1) Where the board member's municipal council in accordance with the provisions of the Danish Act on Heat Supply allows alternative collective heat supply to be delivered to the citizens of the municipality by NGMN's competitors, and (2) where NGMN's board members also participate as board members in businesses, competing with NGMN.

None of the above mentioned relations has given NGMN reason for considerations regarding the membership of the above board members in NGMN's Board of Directors.

In accordance with the provisions of the Danish Local Government Act and legal principles regarding the management of Danish partnerships/companies, a member is obliged to resign from his/her seat during the council's/board's hearing of a specific matter if the member has conflicts of interests regarding such matter. The fulfilment of the obligation to resign is ensured by the members of the remaining municipality council/board of directors.

#### **Organisation**

NGMN is organised into a technical department and finance department. After concentrating on construction and installation while the basic grid distribution system was installed, NGMN has now refocused with emphasis on customer service and marketing.

NGMN is registered in the Kingdom of Denmark with registration number 841 360 18. The registered office of NGMN is Vognmagervej 14, DK-8800 Viborg, Denmark and its telephone number is 00 45 8727 8727.

Prior to 1st January, 2003, HNG and NGMN established two limited companies, Handel A/S and Salg A/S. Salg A/S is jointly and equally owned by HNG and NGMN and Handel A/S is a wholly-owned subsidiary of Salg A/S.

Salg A/S is engaged in the competitive, deregulated retail market for natural gas to be supplied on fixed terms.

Handel A/S is engaged in supplying consumers on individually negotiated terms.

### **The DONG 2003 Agreement**

Handel A/S and Salg A/S buy natural gas from DONG under the terms of the DONG 2003 Agreement as amended.

The DONG 2003 Agreement came into force on 1st October, 2002 and terminates on 31st December, 2012.

The DONG 2003 Agreement contains a Gas Purchase Agreement which, cf. above regarding the Danish Competition Agency, terminates on 31st December, 2006. The gas purchase terms have been calculated to ensure that expected yearly earnings are sufficient to provide a small margin to Salg A/S and Handel A/S. The gas purchase terms are calculated using a formula based on oil prices, ensuring competitive pricing of the gas supplied by DONG Naturgas A/S.

From 1st January, 2009 until 31st December, 2012, HNG and NGMN have, with a view to preserving the market for natural gas compared to other energy sources, been awarded an option by DONG Naturgas A/S (the “**Call-Option**”) to supply natural gas to consumers with a right to choose their supplier but who have declined to exercise that right. Such natural gas is to be supplied at competitive prices compared to the prices on heating oil in the market for heating of private homes and other small-scale consumers.

The DONG 2003 Agreement secures HNG and NGMN minimum revenue from the distribution of gas to consumers. The level of guaranteed minimum revenue from the distribution network is calculated to match operating costs under deemed efficient operation, depreciation of capital investment, interest expenses on related debt and repayment of such debt.

Until 31st December, 2004 the minimum revenue of HNG and NGMN was fully guaranteed by DONG Naturgas A/S. From 1st January, 2005 to 30th September, 2012 the maximum compensation available under the guarantee obligations of DONG Naturgas A/S is, however, limited to a cumulative amount of DKK 300 million. This maximum cumulative amount will decrease by DKK 15 million per year from 1st January, 2006 until 1st January, 2012 when the maximum payable compensation under the guarantee will be DKK 195 million. Thus, the maximum cumulative compensation amount of the guarantee obligation is limited in accordance with the following schedule:

<b>Financial Year</b>	<b>DKK millions</b>
2005	300
2006	285
2007	270
2008	255
2009	240
2010	225
2011	210
2012	195

Whilst DONG Naturgas A/S guarantees HNG and NGMN minimum revenue for the distribution of gas to customers, HNG and NGMN shall make provisions for excess profitability (i.e. when revenues are above calculated average revenue for a particular a financial year). These provisions shall be drawn upon in the case of losses due to revenues being below the calculated average for the specific financial year. These provisions must be utilised prior to any withdrawal from the guarantee from DONG Naturgas A/S. To the extent that provisions are not utilised to cover losses before the end of the third year following the establishment of the provisions, the provisions including interest shall be paid to DONG Naturgas A/S. Any unutilised provisions existing at the termination of the DONG 2003 Agreement shall be transferred to HNG and NGMN.

In accordance with the DONG 2003 Agreement, gas transportation tariffs must be sufficient to cover the payment of the natural gas grid. On this basis, tariff levels are continually reviewed. NGMN has a discretionary right to raise gas transportation tariffs to ensure that all costs (operational and financial as outlined above) are covered by revenues.

In a separate agreement concluded immediately after the St. Hans Agreement, the Minister of Finance extended – on behalf of the Kingdom of Denmark – an interest-rate guarantee to NGMN as of 2006 up to and including 2010 on the expected debt of NGMN for each year.

Taking into account the DONG 2003 Agreement the basic unsecured risks in HNG and NGMN are limited to:

- the level of operating expenses of HNG and NGMN.
- Interest rate risk and currency risk for the year 2005 and the years following 2010 (to the extent the businesses have floating-rate debt after 2010), HNG and NGMN will have and interest rate risk regarding their floating-rate debt. Based on the business plans and the DONG 2003 agreement the financial debt is to be continuously repaid and will be reduced to below DKK 3 billion for HNG and NGMN in total by the end of 2010.
- In 2006-2010 the two businesses may have a marginal interest rate risk as the notional of the swap agreement with the Kingdom of Denmark may differ slightly from the actual levels of debt. Up to 20 per cent. of the outstanding debt of HNG and NGMN can be in currencies other than DKK and EUR (mainly CHF) and the two businesses may suffer a loss due to changes in exchange rates in foreign currency.
- a very unusual high number of warm years.
- the joint and several liability for Handel A/S' and Salg A/S' fulfillment of the transferred parts of the DONG 2003 Agreement.
- Customers switch to other kinds of energy in accordance with the Danish Heat Supply Act.

### Construction

The main construction in NGMN's area took place during the years 1983-89. Investment in the next 10 years will be primarily related to connecting new customers and maintaining the existing grid. Depreciation and interest on new investments will be covered by the tariffs.

### Volumes of Transportation

The volumes of natural gas transported in the years 2001-2005 were as follows:

Volumes transported, millions of cubic metres

2001	2002	2003	2004	2005
1,299	1,220	1,193	1,184	1,141

### Financing

NGMN's debt peaked in 1991 and NGMN has since then begun repaying its debt. Under the St. Hans Agreement, NGMN has agreed to postpone the repayment of its debt from 2004 to 2014. NGMN will depreciate all earlier capital expenditure equally over the years until 2025. New capital expenditure is to be depreciated over 30 years.

NGMN's gross capital requirements will, as a consequence of partial refinancing of existing debts, be approximately DKK 100 million in 2008, 300 million in 2009 and 600 million on 2010.

When raising loans, NGMN is not restricted in its choice of currency, fixed or variable rates of interest and terms. Accordingly, NGMN may adapt its borrowing to market conditions. NGMN's Board of Directors has authorised NGMN's management to carry out the necessary transactions in connection with the raising of financing within the limits of the joint financial policies.

Until 1st July, 1986, NGMN was restricted to issuing domestic bond loans or raising foreign loans through the Mortgage Bank and the Financial Administration Agency of The Kingdom of Denmark or the European Investment Bank. Since the middle of 1986, NGMN has been allowed to raise loans in its own name. NGMN has full access to borrow under the umbrella of Kommunekredit, rated Aaa by Moody's.

HNG I/S and Naturgas Midt-Nord I/S pursue joint financial policies. The financial policies lay down the guidelines for the companies' borrowing, conversion of loans and allocation of available funds with a view to securing the lowest possible financing costs without subjecting the companies to any material risks.

The share of debt in currencies other than DKK and EUR must not exceed 20 per cent.

The exposure in currencies other than DKK and EUR is determined on the basis of interest savings and expectations with respect to exchange rate movements.

The following financial instruments are used to cover and hedge risks:

- Interest swaps, currency swaps and options linked to loans contracted
- Forward contracts and interest agreements linked to repayments of loans.

## Distribution of Profits

No profits have been distributed by NGMN since its foundation.

## NGMN's 74 Partner Municipalities

County of Nordjylland	County of Viborg	County of Aarhus	County of Ringkjøbing
Arden	Bjerringbro	Galten	Aulum-Haderup
Brovst	Fjends	Gjern	Brande
Brønderslev	Hanstholm	Hadsten	Egvad
Dronninglund	Hvorslev	Hammel	Herning
Farsø	Karup	Hinnerup	Holmsland
Frederikshavn	Kjellerup	Langå	Holstebro
Hadsund	Morsø	Mariager	Ikast
Hals	Møldrup	Nørhald	Lemvig
Hirtshals	Sallingsund	Odder	Ringkøbing
Hjørring	Skive	Purhus	Skjern
Hobro	Spøttrup	Randers	Struer
Løgstør	Sundsøre	Rosenholm	Thyborøen-Harboøre
Løkken-Vrå	Sydthy	Ry	Trehøje
Nibe	Thisted	Silkeborg	Videbæk
Nørager	Tjele	Sønderhald	Vinderup
Pandrup	Viborg	Them	
Sejflod	Aalestrup	Århus	
Sindal			
Skagen			
Skørping			
Støvring			
Sæby			
Aabybro			
Aalborg			
Aars			

## Legal Structure

The legal structure of NGMN is a partnership under section 60 of the Danish Local Government Act. Under Danish law, all members of the partnership are jointly and severally liable to the full extent of their property for the total debt of the partnership. NGMN is duly qualified, as a separate legal entity, to act in its own name.

The Articles of Partnership of NGMN, in connection with the legislation and common practice regarding fully liable partnerships in Denmark, provide a full guarantee for NGMN's debt from each and every member (the municipalities).

## TAXATION

### 1. The Kingdom of Denmark

The Issuers are not required by the existing laws of Denmark to make any deductions or withholdings from any payment of principal, premium, if any, or interest in respect of the Notes, Receipts and Coupons for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of Danish tax jurisdiction. With respect to any future withholding or deduction Condition 9 will apply.

Non-Danish holders of Notes, Receipts and Coupons are not liable to taxation in Denmark by reason of the mere holding of such Note, Receipt or Coupon, unless:

- (i) such holder may be an individual, who has been fully tax liable under the laws of Denmark in at least 5 (five) years within the last 10 (ten) years before his full Danish tax liability ended; or
- (ii) such holder otherwise may be tax liable under the laws of Denmark due to a permanent establishment in Denmark; or
- (iii) such holder is a related party as defined in The Danish Corporate Tax Act article 2, section 1, subsection d, and the holder does not have tax residence in an EU country or in a country with which Denmark has a double taxation agreement.

### 2. United Kingdom taxation

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuers' understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers) to whom special rules may apply. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.**

#### *Interest on the Notes*

##### *Payment of interest on the Notes*

Payments of interest on the Notes, Receipts and Coupons may be made without withholding on account of United Kingdom income tax.

However, Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs (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 Noteholder, or who either pays amounts payable on the redemption of Notes, Receipts and Coupons to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5th April, 2007. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

### 3. EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required from 1st July, 2005, 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, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

### 4. Luxembourg taxation

#### **Luxembourg Taxation**

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own



professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

## **Withholding Tax**

### **(i) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the laws of 21st June 2005 (the “**Laws**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3rd June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15 per cent. during the first three-year period starting 1st July 2005, at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 15 per cent.

### **(ii) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23rd December 2005 (the “**Law**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 10th October, 2005 (such programme as further supplemented and/or restated from time to time, the “*Programme Agreement*”), agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **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 from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“*Regulation S Notes*”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

#### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “*Relevant Member State*”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “*offer of Notes to the public*” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### ***United Kingdom***

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue and sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### ***Japan***

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “*Securities and Exchange Law*”) and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations and ministerial guidelines of Japan.

#### ***The Kingdom of Denmark***

Each Dealer has represented and agreed that the Notes have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 171 of 17th March, 2005 as amended from time to time and any Orders issued thereunder.

#### ***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither of the Issuers nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of HNG dated 28th September, 2001 and of NGMN dated 8th December, 2000.

### Admission to trading and Listing of Notes

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme as described in this Prospectus to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

### Documents Available

From the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available from the registered office of the Issuers and from the specified offices of the Paying Agents for the time being in London and Luxembourg:

- (i) the Articles of Partnership (with an English translation thereof) of each Issuer;
- (ii) the latest available audited financial statements of each Issuer, from time to time (HNG currently prepares audited accounts on an annual basis and NGMN currently prepares audited accounts on an annual basis).
- (iii) the Programme Agreement, the Agency Agreement, the Deeds of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (iv) a copy of this Prospectus;
- (v) any future Prospectus, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference; and
- (vi) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Prospectus and each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market are available on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system (including Sicovam) the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., as operator of the Euroclear System, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

### Significant or Material Change

There has been no significant change in the financial or trading position of either Issuer since 31st December, 2005 and there has been no material adverse change in the prospects of either Issuer since 31st December, 2005.



**Litigation**

Save as disclosed in the “Risk Factors” section in this Prospectus, neither of the Issuers is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuers are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position or the profitability of either Issuer.

**Auditors**

The auditors of HNG and NGMN are PricewaterhouseCoopers, State Authorised Public Accountants and members of the Institute of State Authorised Public Accountants in Denmark. PricewaterhouseCoopers was appointed new auditor of HNG by the Committee of Representatives of HNG on 24th February, 2006. PricewaterhouseCoopers was appointed new auditor of NGMN by the Committee of Representatives of NGMN on 3th February, 2006. PricewaterhouseCoopers will audit HNG's and NGMN'S accounts in accordance with generally accepted auditing standards in the Kingdom of Denmark for the financial year ending on 31st December, 2006.

The financial statements of HNG as of and for the years ended 31st December, 2005 and 31st December, 2004, incorporated by reference in this Prospectus, have been audited by Deloitte, State Authorised Public Accountants and members of the Institute of State Authorised Public Accountants in Denmark, and the Municipalities Auditing Department, Public Accountants and members of the Organisation of Local Government Auditors, without qualifications, in accordance with generally accepted auditing standards in the Kingdom of Denmark.

The financial statements of NGMN as of and for the years ended 31st December, 2005 and 31st December, 2004, incorporated by reference in this Prospectus, have been audited by Deloitte, State Authorised Public Accountants and members of the Institute of State Authorised Public Accountants in Denmark, and the Municipalities Auditing Department, Public Accountants and members of the Organisation of Local Government Auditors, without qualifications, in accordance with generally accepted auditing standards in the Kingdom of Denmark.

**Post-Issuance Information**

The Issuers do not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

## THE ISSUERS

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**Naturgas Midt-Nord I/S**  
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## THE ARRANGER

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## DEALERS

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**Lehman Brothers International (Europe)**  
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United Kingdom

**Mizuho International plc**  
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One Friday Street  
London EC4M 9JA  
United Kingdom

**Nomura International plc**  
Nomura House  
1, St. Martin's-le-Grand  
London EC1A 4NP  
United Kingdom

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## FISCAL AGENT, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## REGISTRAR

**Deutsche Bank Luxembourg S.A.**  
2 Boulevard Adenauer  
L-1115 Luxembourg

## PAYING AGENTS AND TRANSFER AGENTS

**Deutsche Bank Luxembourg S.A.**  
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L-1115 Luxembourg

**Credit Suisse**  
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Switzerland

## LEGAL ADVISERS

*To HNG*  
**Lett Law Firm**  
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DK-1550 København V  
Denmark

*To NGMN*  
**Dahl Law Firm**  
Gravene 2  
8800 Viborg  
Denmark

*To the Dealers as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AO

## AUDITORS

*To HNG and NGMN*  
**PricewaterhouseCoopers**  
Statsautoriseret Revisionsaktieselskab  
Strandvejen 44  
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## LUXEMBOURG LISTING AGENT

**Fortis Bank Luxembourg S.A.**  
50 Avenue J F Kennedy  
L-2951  
Luxembourg

