

HNG Midt-Nord Salg A/S

Contents

Management's Review 2006	2
Accounting Policies	6
Statement by the Board of Directors and Executive Management	8
Independent Auditors' Report	9
Income Statement	10
Balance Sheet	11
Cash Flow Statement	12
Notes	13
Key Figures and Financial Ratios - Group	17

Management's Review 2006

Supply licence

HNG Midt-Nord Salg A/S has been granted a licence by the Danish Ministry of Economics and Business Affairs for supply to consumers with an annual consumption of up to 300,000 m³ on fixed terms and supply on fixed terms to consumers not exercising their right to choose supplier. The licence was effective for 5 years from March 2003. The licence is expected to be renewed upon expiry.

The licence entails a supply obligation towards the consumers in areas zoned for natural gas supply and towards others who are or will be connected to the natural gas supply grid in the previous county authorities of Copenhagen, Frederiksborg, Roskilde, Ringkøbing, Århus, Viborg and Northern Jutland.

The PSO (Public Service Obligation) company shall ensure that adequate supplies of natural gas on objective, transparent and non-discriminating terms are available. The consumers who have exercised their right to choose an alternative supplier are entitled to resume delivery from the PSO company within reasonable time-limits and on reasonable terms.

Gas purchase agreements

In 2006, HNG Midt-Nord Salg A/S purchased all natural gas under the agreement of 7 March 2003 concluded by HNG I/S and Naturgas Midt-Nord I/S with DONG A/S. This agreement replaced the agreement of 22 June 2000 which had been disallowed by the EU Commission.

Under the agreement, DONG has no influence on the end-customer price from HNG Midt-Nord Handel, and there is no market sharing with DONG or other companies, nor are there any competitive ties.

However, in August 2005, the Danish Competition Authority raised concerns about the agreement on the grounds that the term of the agreement (until the end of 2008) was too long, as it prevented new suppliers from supplying to us. Besides, the Competition Authority did not approve of the fact that under the agreement the gas purchase price was adjusted differently, depending on the customer segment buying the gas.

In December 2005, a so-called commitment agreement was concluded with DONG to the effect that the term of the agreement should only run until end-2006. At the same time, it was no longer possible to have different prices depending on the customer segments purchasing the gas. This commitment agreement was endorsed by the Competition Authority and the EU Commission.

During 2006, HNG Midt-Nord Salg A/S negotiated for new gas supply agreements with delivering after 1 January 2007 to replace the gas purchase agreement with DONG A/S. In June we entered into a new partner agreement with DONG A/S covering about 60% of our requirements. Subsequently, we have entered into a partner agreement with E-on supplemented by 6 minor contracts on the gas market. With these agreements HNG Midt-Nord Salg A/S has secured the necessary natural gas for the coming years, but the company will regularly undertake further gas purchases.

HNG Midt-Nord Salg A/S expects that the gas purchases effected will improve the company's competitive strength. Purchases are made in cooperation with HNG Midt-Nord Handel A/S.

Activities of HNG Midt-Nord Salg A/S

The principal aim for HNG Midt-Nord Salg in 2006 was to continue the activities regarding customer service, customer retention and sales to new customers. Improvements and greater efficiency have been effected by further coordinating the activities between the functions in Søborg and Viborg.

Year 2006 was the third year after the opening of the market allowing all customers to choose their own supplier. In 2006, competition was particularly felt in the market for major customers. However, in autumn intensive campaigns were launched to penetrate the market for single-family homes, but with very limited results.

Focus has been on limiting the extra costs in connection with the split-up between supply activities and distribution activities and on ensuring that the free choice of supplier will take place in as simple and smooth a manner as possible without caus-

ing any inconvenience for the customers choosing to remain customers with the company. The procedures established for "Gas Market 2004" have turned out to work in practice. The practical problems have been very few and all parties have worked together to solve these problems in a flexible and pragmatic manner without affecting the customers in any way.

HNG Midt-Nord Salg A/S is together with the owner companies in full swing with establishing the future joint IT customer service system "Sirius" together with EG Utility. The plan was for the new IT system to be launched in December 2006, but this has now been postponed to September 2007.

Customers

At end-2006, HNG Midt-Nord Salg had just under 226,000 customers. The customers are distributed by about 56,600 in Midt-Nord's area and about 148,900 in HNG's area, 20,448 of whom were domestic customers (cooking customers). At end-2005, the total number of customers was 225,100. The net influx of some 900 customers is a combination of about 6,000 new consumers connected to the grid and defection of about 5,000 customers to other suppliers, including HNG Midt-Nord Handel.

At the beginning of 2006, customers who according to old agreements receive special discounts had moved from the PSO company HNG Midt-Nord Salg to HNG Midt-Nord Handel. These discounts are granted to housing associations as well as local and central government institutions. Customers with financial agreements who have a gas consumption exceeding 6,000 m³ have also moved to HNG Midt-Nord Handel A/S.

New sales

The marketing efforts to increase the connection of customers to the natural gas grid in HNG's and Midt-Nord's areas are the responsibility of HNG I/S and Midt-Nord I/S, but were carried out by HNG Midt-Nord Salg in 2006. In future, the cooperation on new sales will stop.

In 2006, sales to new customers were continued with more or less unchanged inten-

sity relative to previous years. Potential oil heated homes are contacted once or twice and all potential electrically heated houses are contacted once.

The effect of increased home equity and the high growth in society had an impact on the influx of new contracts in 2006, the steep rise in the number of new customers in 2005 having continued into 2006. A total of 7,082 single-family home contracts were signed compared with 6,228 contracts in 2005. We have not yet seen any saturation of the market.

No doubt the customers' awareness of the possibilities of having natural gas is very high. We still see more and more customers who will choose natural gas as their source of energy when they are in a replacement situation.

The response rate and the number of new contracts concluded were better in HNG's than in Midt-Nord's supply area. There is no simple explanation for this difference, but alternative fuels such as wood pills and firewood undoubtedly play a larger role in Midt-Nord's than in HNG's supply area. In Midt-Nord the general view is apparently that natural gas is an expensive form of heating, which is not the case in HNG's supply area.

In HNG's area it has been difficult to find an adequate number of contractors to establish the necessary service pipes, especially in the northern area. Therefore, HNG Midt-Nord Salg A/S has refrained from launching campaigns in order not to increase the supply problems.

New construction activities are still high with 2,524 new houses connected to the grid in 2006 against 2,056 in 2005.

In 2006, a total of 417 electrically heated houses chose to switch over to natural gas compared with 426 customers in 2005.

HNG Midt-Nord Salg has contacted the potential industrial customers on average twice in 2006 by means of segmented area campaigns. A total of 431 contracts have been signed with new customers and extensions have been made with existing cus-

tomers. Overall, these customers have an estimated annual consumption of 8.6 million m³. In 2005, the corresponding figures were 460 customers with a consumption of 6.9 million m³.

Competitive situation

On 1 January 2004, the entire Danish gas market was liberalised leading to an intensification of the competitive situation in Denmark. Out of Midt-Nord Salg's some 225,100 customers, about 5,000 customers (in 2005 about 1,000 customers) have chosen to switch over to another natural gas supplier. Primarily the largest customers have chosen to "try their luck" with another supplier.

In Denmark, there are 5 more or less active competitors on the market, only 3 of whom have shown an interest in small customers. We did not see any new competitors on the market in 2006.

However, the competition is very intense with respect to major customers where the market seems fairly non-transparent, but the conditions depend widely on the chosen customer-price index and forms of contract binding. The general picture is that competing offers are accompanied by stricter bindings and higher risks for the customers than what they are used to.

Throughout 2006, the market has known that HNG Midt-Nord Salg A/S' bond to the contract with DONG A/S would cease as at 1 January 2007, and that this would mean goodbye to the direct link to the gas oil price. As anticipated, the competitors therefore tried to capture our customers while we were tied up by the old high prices.

In mid-September a massive campaign was launched with direct mails and on TV, radio and the Internet aimed at the market for single-family homes. HNG Midt-Nord Salg A/S had prepared for the attack and matched the lower prices so that the customers did not derive any benefits from switching supplier and committing themselves to six months. In practice, the loss of customers was very limited and the result has been a gradual phasing-in of the new and lower price level for small customers.

Overall, competition and HNG Midt-Nord Salg A/S' new gas purchase agreements have meant lower prices for the small and medium-sized customers. The difference between the prices for small and large customers is expected to lessen.

Customer retention

As the "customers' own gas company" the responsibility of HNG Midt-Nord Salg A/S is to ensure that the natural gas consumers will always have a good alternative to the other natural gas suppliers. The company believes that this is done best by constantly offering the consumers terms resulting in at least 90% of the customers in the distribution areas of HNG and Midt-Nord choosing the company as their supplier of natural gas in the future as well.

In our opinion, natural gas is a low-focus area for our customers. They expect it to work and that they otherwise do not have to concern themselves with it. Thus, the company's focus has been to:

- ensure a competitive price
- ensure that a product range relevant to the customers is developed
- ensure that the customers are satisfied with our services.

In our opinion, the new gas purchase agreements ensure that HNG Midt-Nord Salg will be able to offer our customers natural gas on attractive terms in 2007. The natural gas consumers have entered into agreements on natural gas relying on it being competitive with oil and now natural gas has become significantly cheaper than oil.

Consumers seem primarily to demand services very close to our core services, i.e. sale of gas. Since the needs of our customers vary, we are striving to develop further options in services so that the individual customer can have precisely his needs met.

Financial review 2006 Opening balance sheet and comparative figures

A renewed statement has been made of unsettled income and receivables from consumers settled on account during the years 2004 and 2005. The renewed statement

entails that the profit for 2004 and 2005 will be reduced by DKK 0.8 million and DKK 12.7 million, respectively. The statement also entails that the value of the customer portfolio of unsettled receivables from customers on account taken over as at 1 January 2004 from HNG I/S will increase by about DKK 49.2 million.

The above has been adjusted via HNG Midt-Nord Salg's opening balance sheet as at 1 January 2006 and the comparative figures for 2005 have subsequently been aligned accordingly.

Result 2006

The financial result in HNG Midt-Nord Salg in 2006 was a profit of DKK 56.4 million compared with DKK 20.9 million in 2005.

Revenue in the group HNG Midt-Nord Salg was DKK 2,322.2 million in 2006 against DKK 2,179.6 million in 2005, while cost of sales was DKK 2,251.1 million against DKK 2,147.8 million in 2005.

Revenue in the parent company HNG Midt-Nord Salg was DKK 1,669.1 million in 2006 against DKK 1,747.0 million in 2005, while cost of sales was DKK 1,613.2 million against DKK 1,708.1 million in 2005.

The gross profit from sale of gas in the parent company HNG Midt-Nord Salg was DKK 55.9 million in 2006 against DKK 38.9 million in 2005. In the group the gross profit increased from DKK 31.8 million in 2005 to DKK 71.1 million in 2006).

Gas sale

In 2006, the weather was a little warmer than usual. The year under review had approximately 6% fewer degree days than in a normal year. Nonetheless, sales have been higher than estimated, net customer defection being lower than expected. In 2006, total sales were 485 million m³ (575,8 million m³), broken down by 478 million m³ in HNG's area and 107 million m³ in Midt-Nord's area.

Operating expenses

HNG Midt-Nord Salg has no employees. All employees are employed by the owner

companies. The company's operations are run by purchase of resources or services from the owner companies or by use of external partners. A number of service agreements have been established which specify quality, competence and payment for purchase of resources and services from the parent companies for the purpose of securing that the terms are fair for both parties. The conclusion of service agreements is based on experience from 2004.

For marketing purposes and an incentive to acquire new customers, HNG Midt-Nord Salg receives a marketing contribution of DKK 50 per connected customer to cover actual costs from DONG A/S and a one-off payment per new customer from HNG I/S and Midt-Nord I/S. This cooperation on new sales will stop by the end of 2006.

Operating expenses in HNG Midt-Nord Salg are divided into service agreements and other operating expenses. In 2006, HNG Midt-Nord Salg's net operating expenses totalled DKK 29.8 million, roughly equivalent to the figure in 2005. The service agreements mainly cover purchase of resources.

Interest

In the group, net financial income of DKK 16.2 million was realised in 2006, DKK 3.4 million of which relates to market value adjustment of price agreements. In 2005, net financial income totalled DKK 20.0 million.

In general, the cash flow pattern is such that the company's cash position is fine most of the year.

Net profit for the year

The net profit for the year in the group HNG Midt-Nord Salg A/S is DKK 56.4 million.

According to the Danish Energy Regulatory Authority's guidelines on the regulation of PSO natural gas companies, the company is basically entitled to an operating profit (gross profit less operating expenses and plus net financials) for 2006 equivalent to an 8% return on the company's share capital less the contributed capital in HNG Midt-Nord Handel A/S.

The remaining operating profit for 2006 of DKK 34.1 million shall be repaid to consumers by way of future price reductions over a period of maximum 3 years. The remaining profit is recorded in the Balance Sheet as reserve for price adjustment under equity.

HNG Midt-Nord Salg does not agree with the Danish Energy Regulatory Authority's decision to the effect that the determination of the size of the profit to which a PSO natural gas company is entitled can only be based on the share capital. HNG Midt-Nord Salg believes that the determination of the size of a reasonable profit shall be based on the entire capital resources of the company. Therefore, HNG Midt-Nord Salg has appealed to the Energy Board of Appeal against the decision made by Danish Energy Regulatory Authority on this matter.

Special risks

Operating risks

HNG Midt-Nord Salg's earnings in 2006 mainly derive from a trade margin by way of a minor amount per m³ sold and a fixed rate per customer. This income corresponds to the direct administrative costs.

The future income base from customers depends on HNG Midt-Nord Salg being a supplier of gas. To the extent that the customers choose another gas supplier, the company's income base will be eroded. In light of HNG Midt-Nord Salg's significant market share, some net customer defection must be expected.

Take-or-pay terms

HNG Midt-Nord Salg A/S's risks will increase in future since the flexibility of the newly concluded gas purchase contracts is less than the unlimited quantity flexibility the company has enjoyed so far. A significant portion of the new quantity contracts has been concluded on take-or-pay terms which means that HNG Midt-Nord Salg is obliged to pay for a specific quantity irrespective of whether the company takes the gas or not.

This risk has been mitigated by purchasing some of the gas quantities on flexible terms supplemented by quantities that can be resold on the international market. The

flexibility is estimated to be adequate to cope with normal temperature fluctuations and expected market share losses.

Competitive strength

The market price for natural gas varies with the development in oil prices. The gas quantities purchased have been hedged in relation to the development in oil prices, but there will always be a risk that in some periods natural gas can be purchased with a better relation to oil prices than the one obtained, and that the company's gas portfolio becomes uncompetitive.

This risk has to some extent been covered by the natural gas rate to the customers matching the terms of purchase.

Price products

The use of price products is a key competitive parameter when it comes to capturing customers. The financial risks are substantial due to the high volatility in gas and oil prices.

The risk is systematically removed by regularly hedging products sold with HNG Midt-Nord Handel A/S entering into off-setting transactions with suppliers and financial institutions. Framework agreements have been concluded with suppliers and banks to hedge the products.

Derivative financial instruments

HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S offer customers agreements determining the selling price of natural gas on the basis of different combinations of fuel and gas oil prices and the US dollar rate.

Similarly, HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S enter into purchase agreements determining the purchase price of natural gas on the basis of different combinations of fuel and gas oil prices and the US dollar rate.

When entering into such agreements HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S exposes to a price and foreign-exchange risk as the purchase and selling prices of the gas are fixed on a different basis. HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S hedge these oil

price and foreign-exchange risks by using derivative financial instruments, including swaps and, to a limited extent, call and put options so that HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S will have no real risk in connection with the purchase and sales agreements concluded.

On initial recognition, the derivative financial instruments are measured at cost, equal to the fair value of the fees paid or received. Subsequent to initial recognition, the derivative financial instruments are measured at fair value as at the balance sheet date.

Changes in the fair value of derivative financial instruments, classified as and complying with the requirements for hedging of the fair value of binding purchase and sales agreements, are recognised in the Income Statement together with changes in the fair value of binding purchase and sales agreements.

Ordering and nominations

The quality of the precision with which the company is able to match the specific natural gas requirements for the next 24 hours is an ongoing challenge. The company does not have any experience in this field, and the systems and procedures are new.

An agreement has been entered into with HNG Midt-Nord Handel A/S for the handling of this task at a fixed price and with a share in possible savings. HNG Midt-Nord Handel A/S has entered into agreements for the purchase of flexibility which will reduce the company's risks. In addition, strong focus is placed on follow-up and collection of experience. Knowledge has been purchased from DONG A/S.

Loss on bad debts

HNG Midt-Nord Salg A/S' customers are primarily small customers and, thus, the risk of loss on debtors is very modest.

To the extent that agreements are concluded with business enterprises and similar major customers, ongoing focus will be placed on the creditworthiness of the customers.

Operating expenses

HNG Midt-Nord Salg is responsible for the operating expenses. HNG Midt-Nord Salg has entered into service agreements with HNG and Midt-Nord on for instance all staff costs since all employees are still employed with HNG and Midt-Nord, but are wholly or partly seconded to HNG Midt-Nord Salg. Selling and marketing expenses are directly covered by HNG Midt-Nord Salg.

Customer influx

HNG Midt-Nord Salg is seeing a greater influx of new customers than predicted.

Customer defection

HNG Midt-Nord Salg has not experienced any significant defection of customers in favour of other fuels.

Outlook

Most customers consider natural gas to be a low priority area. As long as the price of gas is competitive the customers do not feel induced to change supplier.

HNG Midt-Nord Salg expects that with the gas purchase agreements entered into the company will be able to maintain a dominant position on the market for small customers and only expects limited customer defection. The reduced earnings will be offset by falling costs.

The company expects to be able to maintain its position as being the most cost-effective PSO company as regards customer service while maintaining the service level to its customers.

Events occurring after the end of the financial year

No events have occurred after the end of the financial year of material importance to the evaluation of the Annual Report.

Accounting policies

The Annual Report for HNG Midt-Nord Salg is presented in compliance with the Danish Financial Statements Act for reporting class C (large enterprise).

The accounting policies are the same as those of last year.

Recognition and measurement

Assets are recognised in the Balance Sheet when it is probable that future economic benefits will flow to the company, and when the value of the asset can be reliably measured.

Liabilities are recognised in the Balance Sheet if, owing to a previous event, the company has a legal or actual liability and it is probable that future economic benefits will flow out of the company and the value of the liability can be measured reliably.

Assets and liabilities are recognised at cost on initial recognition. Subsequent to initial recognition, measurement is effected as described for each item below.

On recognition and measurement, foreseeable risks and losses, arising before the presentation of the Annual Report and proving or disproving matters existing on the balance sheet date, are taken into consideration.

Income is recognised in the Income Statement as earned whereas expenses are recognised with amounts pertaining to the financial year. Value adjustments of financial assets and liabilities are recognised in the Income Statement as financial income or financial expenses.

Consolidated Financial Statements

The Consolidated Financial Statements comprise HNG Midt-Nord Salg (parent company) and HNG Midt-Nord Handel (subsidiary).

The Consolidated Financial Statements are prepared on the basis of the financial statements of HNG Midt-Nord Salg and subsidiary. The Consolidated Financial Statements are prepared by combining items of uniform nature. On consolidation, intra-group income and expenses, intra-group balances and dividends as well as gains and

losses on transactions between the consolidated companies are eliminated. The financial statements used in the consolidation are prepared in accordance with the group's accounting policies.

Derivative financial instruments

HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S offer customers agreements determining the selling price of natural gas is determined on the basis of different combinations of fuel and gas oil prices and the US dollar rate.

Similarly, HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S enter into purchase agreements where the purchase price of natural gas is determined on the basis of different combinations of fuel and gas oil prices and the US dollar rate.

When entering into such agreements HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S exposes to a price and foreign-exchange risk as the purchase and selling prices of the gas are fixed on a different basis. HNG Midt-Nord Salg A/S and HNG Midt-Nord Handel A/S hedge these oil price and foreign-exchange risks by using derivative financial instruments, including swaps and, to a limited extent, call and put options so that HNG Midt-Nord Salg will have no real risk in connection with the purchase and sales agreements concluded.

On initial recognition, the derivative financial instruments are measured at cost, equal to the fair value of the fees paid or received. Subsequent to initial recognition, the derivative financial instruments are measured at fair value as at the balance sheet date.

Changes in the fair value of derivative financial instruments, classified as and complying with the requirements for hedging of the fair value of binding purchase and sales agreements, are recognised in the Income Statement together with changes in the fair value of binding purchase and sales agreements.

Income Statement

Revenue

Revenue includes the sale of natural gas less discounts.

Revenue is recognised in the Income Statement in line with delivery. Income from customers paying on account has been calculated for the period after the latest annual statement of account.

Outstanding accounts with customers invoiced on account have been calculated as the difference between the estimated and invoiced gas sale and are recorded under prepayments.

The estimated difference between the financial result of the year and the company's regulatory income limit is transferred via the distribution of profit to reserve for price adjustment under equity in order to show that this part of equity is not really available to the owners.

Cost of sales

Cost of sales includes purchases of natural gas less discounts.

Other external expenses

Other external expenses include expenses incidental to provision of administrative services requested under service agreements with HNG and Midt-Nord, communication costs, advisory services, other administrative expenses, etc.

Net financials

Net financials include interest income and interest expenses, realised and unrealised exchange gains and losses as well as amortisation added/deducted pertaining to financial liabilities.

Income taxes

Tax for the year comprises the current tax charge for the year and any changes in the deferred tax charge.

Current tax payable and receivable is recognised in the Balance Sheet as tax computed on the taxable income for the year, adjusted for tax prepaid.

Deferred tax is recognised and measured according to the balance sheet liability

method providing for all temporary differences between the carrying amounts of the assets and liabilities and the amounts used for taxation purposes. The computation of the tax value of the assets is based on the planned use of each asset.

Deferred tax is measured on the basis of the tax rules and tax rates applicable under the legislation in force on the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax shall, owing to changes in tax rates, be recognised in the Income Statement.

Deferred tax assets, including the tax value of losses available for carry-over for tax purposes, are recognised at the value at which the asset is expected to be used, either through set-off against deferred tax liabilities or as net tax assets.

The parent company is jointly taxed with the subsidiary. The current Danish corporation tax is divided between the jointly taxed companies in proportion to their taxable incomes (full allocation with refund concerning tax losses).

Balance Sheet

Investments in group enterprise

Investments in group enterprise are recognised and measured according to the equity method, which means that the investments are recognised at the proportionate share of the enterprises' carrying amount minus or plus unrealised intra-group profit or loss.

The parent company's share of the company's result after elimination of unrealised intra-group profit and loss is recognised in the Income Statement.

The net revaluation of investments in group enterprise is transferred to the reserve for net revaluation of investments to the extent that the carrying amount exceeds the cost.

Receivables

Receivables, including financial receivables from customers and other financial receivables, are measured at amortised cost less writedown for loss on bad debts.

The writedown for loss on bad debts is based on an individual assessment of each receivable.

Deferred income

Deferred income recognised under Liabilities comprises income received to be recognised in the Income Statement of the subsequent financial year. Deferred income is measured at amortised cost, which usually corresponds to the nominal value.

Provisions

Provisions are recognised and measured as the best estimate of the costs necessary to settle the provisions. Provisions with an estimated due date more than one year from the balance sheet date will be measured at discounted value.

Provisions include provisions concerning loss-making contracts.

Financial liabilities

Financial liabilities are recognised at amortised cost which is usually equal to the nominal value.

Cash Flow Statement

The group's Cash Flow Statement is presented according to the indirect method showing cash flows from operating, investing and financing activities and the group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are made up as operating result adjusted for non-cash operating items and changes in working capital.

Cash flows from financing activities include changes in the amount or composition of the share capital and costs incidental hereto as well as the raising of loans, repayments on interest-bearing debt and distribution to the owners.

Cash and cash equivalents comprise available funds.

Key figures and financial ratios

Ratios are computed in accordance with 'Guidelines and Financial Ratios 2005', issued by the Danish Society of Financial Analysts.

Statement by the Board of Directors and Executive Management

We have today submitted the Annual Report 2006 of HNG Midt-Nord Salg A/S.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

We regard the accounting policies employed as appropriate, such that the Annual Report provides a true and fair view of HNG Midt-Nord Salg A/S' assets, liabilities, financial position as well as result for the year and cash flows.

The Annual Report is submitted to the general meeting for adoption.

Søborg, 3 May 2007

Executive Management



Ole Albæk Pedersen
Managing Director



Henrik Iversen
Market Director

Board of Directors



Jens Jørgen Nygaard
Vice-chairman



Kurt Brunk Hansen
Vice-chairman



Ib Bjerregaard



Karin Søjberg Holst



Ebbe Skovsgaard



Ole Ørnbo

Independent auditors' report

To the shareholders of HNG Midt-Nord Salg A/S

We have audited the Annual Report of HNG Midt-Nord Salg A/S for the financial year ending on 31 December 2006, which comprises Management's Review, Accounting Policies, Statement by the Board of Directors and Executive Management, Income Statement, Balance Sheet and notes for the group as well as for the parent company and Cash Flow Statement for the group. The Annual Report is prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of the Annual Report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effec-

tiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2006 of the group and the parent company and of the results of the group and parent company operations and consolidated cash flows for the financial year ending on 31 December 2006 in accordance with the Danish Financial Statements Act.

Copenhagen, 3 May 2007
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab



Per Timmermann
State Authorised Public Accountant



Claus Köhler Carlsson
State Authorised Public Accountant

Income Statement

		Note	DKK million	
Parent company			Group	
2005	2006		2006	2005
1,747.0	1,699.1	Revenue	2,322.2	2,179.6
-1,708.1	-1,613.2	Cost of sales	-2,251.1	-2,147.8
38.9	55.9	Gross profit	71.1	31.8
0.3	1.8	Other operating income	1.8	0.4
-30.5	-31.6	Other operating expenses	-32.7	-31.3
8.7	26.1	Operating profit	40.2	0.9
0.7	14.3	Profit in group enterprise	0.0	0.0
11.5	16.0	Net financials	16.2	20.0
20.9	56.4	Profit before tax	56.4	20.9
0.0	0.0	Tax on the profit for the year	0.0	0.0
20.9	56.4	NET PROFIT FOR THE YEAR	56.4	20.9
Proposal for distribution of profit				
15.0	34.1	Reserve for price adjustment		
5.9	22.3	To be carried forward to next year		
20.9	56.4	Available for distribution		

Balance Sheet

		Note	DKK million	
Parent company			Group	
31.12.2005	31.12.2006		31.12.2006	31.12.2005
ASSETS				
29.1	43.5	Investment in group enterprise	0.0	0.0
3.4	0.0	Other investments	2.0	3.4
32.6	43.5	Total investments	2.0	3.4
32.6	43.5	Total fixed assets	2.0	3.4
33.4	4.8	Trade receivables	45.4	97.0
0.0	28.3	Receivables from group enterprise	0.0	0.0
0.0	1.5	Receivables from HNG I/S and Naturgas Midt-Nord I/S	1.5	0.0
102.6	56.4	Other receivables	66.9	138.9
136.0	91.0	Total receivables	113.8	235.9
576.5	608.4	Cash	841.5	623.2
712.5	699.4	Total current assets	955.3	859,1
745.0	742.9	TOTAL ASSETS	957.3	862,5
LIABILITIES AND EQUITY				
50.0	50.0	Share capital	50.0	50.0
17.0	51.1	Reserve for price adjustment	51.1	17.0
125.0	147.3	Retained earnings	147.3	125.0
192.0	248.4	Total equity	248.4	192.0
0.0	0.0	Loss-making contracts	18.1	17.0
0.0	0.0	Total provisions	18.1	17.0
294.3	12.9	Trade payables	299.5	361.3
11.1	159.9	Payables to group enterprise	0.0	0.0
53.4	57.1	Payables to HNG I/S and Naturgas Midt-Nord I/S	57.2	61.7
111.3	259.5	Prepayments received from customers	314.2	116.0
78.2	1.4	Other payables	16.2	106.7
4.7	3.7	Deferred income	3.7	7.8
533.0	494.5	Total current liabilities	690.8	653.5
553.0	494.5	Total liabilities	690.8	653.5
745.0	742.9	LIABILITIES AND EQUITY	957.3	862.5
Contingent liabilities				
Related parties				
Shareholders				
Changes in working capital				
Purchase obligations and guarantees issued				

Cash Flow Statement - Group

	Note	DKK million	
		Group	
		2006	2005
Cash flow from operating activities:			
Operating profit		40.2	0.9
Financial income		35.8	20.1
Financial expenses		-0.2	-0.1
Changes in provisions		1.1	17.0
Changes in working capital	15	140.0	233.6
Total cash flow from operating activities		216.9	271.5
Cash flow from investing activities		1.4	-2.1
Total increase/decrease in cash and cash equivalents		218.3	269.4
Cash and cash equivalents, at 1 January		623.2	353.8
Cash and cash equivalents, at 31 December		841.5	623.2

Notes

DKK million

Parent company			Group	
2005	2006		2006	2005
Note 1. Fee for auditor appointed by general meeting				
0.2	0.2	Auditor's fees	0.3	0.3
0.0	0.1	Auditor's fees, outstanding from previous year	0.2	0.0
0.2	0.3	Total fees	0.5	0.3
Note 2. Staff costs				
The company has no employees since, according to service agreements concluded with HNG I/S and Naturgas Midt-Nord I/S, they are recruited and employed by HNG I/S and Naturgas Midt-Nord I/S. In accordance with the service agreements, the company covers a share of the owners' staff costs, including wages and salaries, holiday pay and other staff-related costs.				
0.3	0.3	Total remuneration for the Board of Directors	0.3	0,3
Note 3. Net financials				
<i>Financial income</i>				
11.5	16.0	Interest income on cash funds from operations	19.8	12.3
0.0	0.0	Fair value of supply agreements	3.2	0.0
0.0	0.0	Fair value adjustment of binding sales agreements	21.4	0.0
78.2	0.0	Fair value adjustment of derivative financial instruments	0.0	114.5
89.7	16.0		44.4	126.8
<i>Financial expenses</i>				
-78.2	0.0	Fair value adjustment of binding sales agreements	0.0	-106.7
0.0	0.0	Fair value adjustment of derivative financial instruments	-28.0	0.0
0.0	0.0	Other financial expenses	-0.2	-0.1
-78.2	0.0	Total net financials	-28.2	-106.8
11.5	16.0		16.2	20.0

Note 4. Derivative financial instruments

The company hedges price and foreign-exchange risks relating to binding agreements on the future purchase and sale of gas by way of swaps and, to a limited extent, call and put options.

As at 31 December 2006, the fair value of derivative financial instruments was DKK -7.7 million, the fair value of binding sales agreements was DKK -7.1 million and the fair value of supply agreements was DKK 3.2 million.

The amounts are recognised under Other receivables and Other payables and in the Income Statement under Net financials.

Note 5. Tax on the profit for the year

The profit for the year does not give rise to either payable or deferred tax.

At end-2006, the company had a deferred tax asset not recognised of DKK 32.4 million (DKK 43.2 million in 2005) pertaining to goodwill by inclusion of the activity in the company in the financial year 2002/2003, which was recorded an equity.

In addition, the company had at end-2006 a deferred tax asset not recognised of DKK 9.6 million (DKK 11.1 million in 2005) pertaining to a tax loss carry-forward.

The company is jointly taxed with its subsidiary, but is solely liable for the portion of the tax that is attributable to the company's income.

Note 6. Investments

Investments in group enterprises	
	55.0
	55.0
	-25.8
	14.3
	-11.5
	43.5
	29.1

Cost at 1 January 2006

Cost at 31 December 2006

Net revaluations at 1 January 2006

Net profit for the year

Net revaluations at 31 December 2006

Carrying amount at 31 December 2006

Carrying amount at 31 December 2005

Investments in group enterprise include:
HNG Midt-Nord Handel A/S, Gladsaxe, 100 %

Parent company	
2005	2006
23.7	55.1
78.2	0.0
0.0	0.0
0.7	1.3
102.6	56.4

Note 7. Other receivables

VAT and duties receivable

Fair value of derivative financial instruments

Fair value of supply agreements

Other receivables

Total other receivables

Group	
2006	2005
62.4	23.7
0.0	114.5
3.2	0.0
1.3	0.7
66.9	138.9

Notes

DKK million

Note 8. Statement of changes in equity

	Group and parent company			
	Share capital	Reserve for price adjustment	Retained earnings	Total equity
Equity at 31 December 2005	50.0	19.9	135.6	202.5
Adjustments	0.0	-2.9	-10.6	-13.5
Equity at 31 December 2005 adjusted	50.0	17.0	125.0	192.0
Net profit for the year	0.0	34.1	22.3	56.4
Equity at 31 December 2006	50.0	51.1	147.3	248.4

The share capital consists of 50,000 shares of DKK 1,000 each. The shares have not been divided into classes.

Note 9. Provisions

Loss-making contracts
Provisions

Group	
2006	2005
18,1	17,0
18,1	17,0

Loss-making contracts relate to customer contracts concluded where the estimated future costs exceed the estimated future earnings. At 31 December 2006, a provision of DKK 18.1 million was recognised. The contracts will expire in 2007-2010.

Parent company	
2005	2006
0.0	1.4
78.2	0.0
0.0	0.0
78.2	1.4

Note 10. Other payables

Accrued expenses
Fair value of binding sales agreements
Fair value of derivative financial instruments
Total other payables

Group	
2006	2005
1.4	0.0
7.1	106.7
7.7	0.0
16.2	106.7

4.7	3.7
4.7	3.7

Note 11. Deferred income

Discounts payable
Total deferred income

3.7	7.8
3.7	7.8

Note 12. Contingent liabilities

The company has an obligation towards HNG Midt-Nord Handel A/S to invest further subordinate loan capital of DKK 25 million.

Note 13. Related parties

The company has no related parties with controlling influence.

HNG I/S and Naturgas Midt-Nord I/S as well as the company's management have significant influence.

In 2006, HNG Midt-Nord Salg A/S requested various administrative services from HNG I/S and Naturgas Midt-Nord I/S totalling DKK 32.4 million.

Remuneration for the Board of Directors, etc. has been stated in note 2.

All transactions with related parties have been made at arm's length.

Note 14. Shareholders

The company is owned by the following shareholders:

HNG I/S, Gladsaxe, 50 %
Naturgas Midt-Nord I/S, Viborg, 50 %

Note 15. Changes in working capital

Changes in receivables
Changes in trade payables, etc.

Total changes in working capital

	Group	
	2006	2005
Changes in receivables	10.8	218.2
Changes in trade payables, etc.	129.2	15.4
Total changes in working capital	140.0	233.6

Note 16. Purchase obligations and guarantees issued

The company has entered into binding agreements for the purchase of natural gas of totally DKK 1,000 million on take-or-pay terms. In addition, an agreement has been entered into for the purchase of natural gas with a take-or-pay obligation that varies with HNG Midt-Nord Handel A/S' sale of natural gas. The purchase obligations total maximum DKK 2,880 million.

The purchase obligations have been undertaken jointly with the subsidiary HNG Midt-Nord Handel A/S.

The company has provided a parent company guarantee for HNG Midt-Nord Handel's binding purchase of natural gas for totally DKK 287 million.

On behalf of HNG Midt-Nord Salg and the subsidiary HNG Midt-Nord Handel Nordea has provided guarantees totalling DKK 87 million. In addition, Nordea has on behalf of the company provided a guarantee for DKK 15 million.

Key Figures and Financial Ratios - Group

Finances (DKK million)	2006	2005	2004	2003
Revenue	2,322.2	2,179.6	1,672.8	2,151.9
Gross profit	71.1	31.8	39.1	67.0
Net external expenses	30.9	30.9	31.2	50.5
Net financials	16.2	20.0	8.5	9.6
Net profit for the year	56.4	20.9	15.6	30.5
Trade receivables	45.4	97.0	337.3	200.5
Equity	248.4	192.0	171.1	155.5
Balance sheet total	957.3	862.5	713.2	685.6
Financial ratios (%)	2006	2005	2004	2003
Gross margin	3.1	1.5	2.3	3.1
Profit ratio	2.4	1.0	1.0	1.4
Rate of return	4.2	0.1	1.0	3.0
Return on equity	25.6	11.5	9.6	19.6
Equity ratio	25.9	22.3	24.1	22.7
Statistics (million m ³ natural gas)	2006	2005	2004	2003
Sale	694	759	814	861
Connected (No.)	2006	2005	2004	2003
Domestic customers	20,448	21,228	21,863	22,565
Customers	206,778	202,878	198,093	193,595