

HNG Midt-Nord Salg A/S
HNG Midt-Nord Handel A/S

Annual Report 2009

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John Kørner has decorated HNG Midt-Nord Salg's Annual Report with inspiration from "The Three Musketeers", an open-air play to be performed by the Royal Danish Theatre in the natural valley setting of Ulvedalene in the early summer of 2010. HNG Midt-Nord Salg A/S will be inviting its 14,000 natural gas customers to see the event.

The six beautiful pictures are heliographies in seven colours.

John Kørner was born in Aarhus in 1967. He graduated in visual arts from the Royal Danish Academy of Fine Arts in Copenhagen, 1992-1998. John lives and works in Copenhagen.

John Kørner's work is on display in several Danish museums, including the *National Gallery of Denmark*, *Arken*, *KUNSTEN* in Aalborg and *ARoS* in Aarhus. John is also represented internationally, in for instance *The Saatchi Gallery* in London, *Rubell Family Collection* in Miami, *Collezione La Gaia* in Torino, *Wilfried Cooreman's Collection* in Belgium and *Moderna Museet* in Stockholm.

Management's Review

HNG Midt-Nord Salg A/S

Supply licence

HNG Midt-Nord Salg A/S has, pursuant to the Danish Natural Gas Supply Act, been granted a licence by the Danish Ministry of Climate and Energy for supply on fixed terms to consumers not exercising their right to choose supplier. The licence from March 2003 was renewed until March 2013.

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 are available on objective, transparent and non-discriminating terms. 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.

HNG Midt-Nord Salg A/S is solely in charge of the activities which are subject to the licence and covered by regulation from the Danish Energy Regulatory Authority. The subsidiary HNG Midt-Nord Handel A/S is selling natural gas to customers on individually negotiated terms, and the subsidiary's activities are not subject to any regulation from the Danish Energy Regulatory Authority.

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 choosing the company as their supplier of natural gas in the future as well.

We believe that 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 is 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 and the current activities on the gas market ensure that HNG Midt-Nord Salg A/S, like in 2009, will be able to offer our customers natural gas on attractive terms in the coming years.

The natural gas consumers previously entered into agreements on natural gas relying on it being competitive with oil, and now natural gas has become significantly cheaper than oil. Overall, the customers are also relying on the natural gas we sell being competitive with the other alternatives on the market.

Consumers seem primarily to demand services 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 our services in order to meet the exact individual needs of the customers. Products deviating from the basic price products are handled by HNG Midt-Nord Handel A/S since the Danish Energy Regulatory Authority is expecting maximum transparency as regards the activities in the PSO company.

Gas purchase agreements

In 2007, the HNG Midt-Nord Salg group was for the first time a player on the international gas market and purchased natural gas to the group's customers. Until 2007, the company was obliged to purchase all the gas from DONG Energy. Subsequently, the company consolidated its position on the competitive market and has continually offered small customers natural gas on the most attractive terms while at the same time participating actively and successfully – through the subsidiary HNG Midt-Nord Handel A/S – in the more intensive competitive market for large customers.

With effect from 2007, the HNG Midt-Nord Salg group entered into new partner agreements with DONG Energy A/S and E-on Ruhrgas. The agreement with E-on Ruhrgas was renewed in 2008, and the agreement with DONG Energy was renewed in 2009. The partner agreements are increasingly supplemented by minor agreements with many different suppliers. On a current basis, the natural gas is sold and purchased in the wholesale markets in Germany, the Netherlands and Denmark as well as on the Danish gas exchange, Nord Pool Gas, with a view to optimising the group's gas portfolio in relation to sales agreements concluded. These agreements have secured the necessary natural gas for the years ahead. Special focus is on the not-too-far-away future when additional gas supplies must be secured to supplement the production in the Danish part of the North Sea.



Board of Directors:
Hans J. Okholm, Helge Friis, Karin Søjberg Holst (Chairman), Jens Jørgen Nygaard,
Ebbe Skovsgaard, Ib Bjerregaard (Vice-chairman), Ole Ørbøl.

The HNG Midt-Nord Salg group believes that the gas purchases effected have enhanced the company's competitive strength and led to lower prices for the natural gas customers in Denmark. At the same time, the group has produced robust earnings and implemented considerable consolidation, which is expected to continue in 2010.

There is ongoing focus on preventing take-or-pay situations from arising, where natural gas has to be paid for although it cannot be resold to the customers. Such situations will primarily occur in case of mild weather or unforeseen market share losses. The take-or-pay risk in the intra-group gas purchase agreements is placed with HNG Midt-Nord Handel A/S, since this company is in a better position to avert the consequences of take or pay compared with the licensed public service company HNG Midt-Nord Salg A/S.

All new gas agreements include elements of take-or-pay terms which means that the company is obliged to pay for the agreed quantities irrespective of whether the company takes the gas or not. The calendar year 2009 was mild resulting in lower sales to customers throughout the group than estimated for a normal year. This entailed decreased earnings from the PSO activity in HNG Midt-Nord Salg A/S not only due to lower quantities, but also to a lower contribution margin per m³. However, the group succeeded in preventing the take-or-pay provisions from becoming effective by utilising the flexibility incorporated in the agreements, by purchasing capacity in natural gas storage and by selling volumes in the wholesale market in Denmark and internationally.

HNG Midt-Nord Salg A/S expects that the company has enhanced its position on the gas market for the coming years. The purchases are made in cooperation with the subsidiary HNG Midt-Nord Handel A/S which is also responsible for the management of the purchase portfolio and the daily balancing in relation to suppliers, storages and Energinet.dk. HNG Midt-Nord Salg A/S' gas purchase terms are directly linked to the terms of the contracts which the group has concluded with external suppliers. The risk attached to the management of transport and storages lies with HNG Midt-Nord Handel A/S, while HNG Midt-Nord Salg A/S gets a share of the profit if these costs are lower than the benchmark agreed on.

Natural gas as green energy

Throughout the years, natural gas has been regarded as an environmentally-friendly fuel. However, natural gas is a fossil fuel like oil and coal, but is the least polluting of fossil fuels.

An important aspect of our marketing has been to help our customers consume the smallest possible amount of energy. In the magazine *Magasinet Nyt* and through exhibitions and events for installation firms we have assisted our customers with advice on the choice of energy-efficient solutions – including the fact that up-to-date natural gas boilers have the highest energy utilisation among all forms of energy.

Natural gas is not only a fuel facilitating the transition to renewable energy, but is also a prerequisite for its usability. Natural gas is for instance suitable for use in combination with solar heat and biogas. Heating requirements can be met when renewable energy sources are not enough.

Unlike electricity, natural gas can be stored for later use. It is key to utilisation of wind power that we have a type of energy that can be used when the wind is not blowing or the sun is not shining.

Energy savings are on top of our green agenda. Energy not used will not pollute. We believe that it is very important for the natural gas sector to assist in ensuring that the quite substantial biogas resources be produced and utilised rather than other forms of energy. This will produce less CO₂ and less methane emissions for the benefit of all of us.

As regards technological innovations, we believe that gas-fired heat pumps and micro-CHP plants producing heat and power in individual homes hold the most promise. HNG Midt-Nord Salg A/S has set aside DKK 2 million for these activities.

Activities of HNG Midt-Nord Salg A/S

The principal aim for HNG Midt-Nord Salg A/S in 2009 was to continue the activities regarding customer service, customer retention and sales to new customers.

Year 2009 was the sixth year after the full opening of the market allowing all customers to choose their own supplier. Also in 2009, the competition focused on the market for the large and medium-sized customers. The extent of customer defection has been very limited and lower than estimated, no doubt due to the fact that the company has maintained the lowest customer prices throughout the year. Similarly, the calm in the market for small customers has led to substantial savings on marketing expenses. Sometimes competition assessment is based on the number of customers changing supplier, but generally we find that it should be based on price in relation to customers.

Focus has still been on limiting the extra costs in connection with the split-up between supply activities and distribution activities prescribed by law and, at the same time, on ensuring that the free choice of supplier will take place in as simple and smooth a manner as possible without causing any inconvenience for the customers choosing to remain with the company. The procedures established for "Gas Market 2004" work efficiently in practice without interfering with the customers' free choice of supplier.

The Danish Energy Regulatory Authority has directed that the company's customer communication must no longer be distributed together with communication from the distribution companies although 98% of the customers are the same. This has entailed increasing communication expenses, especially for postage.

In 2007, HNG Midt-Nord Salg A/S launched the joint IT customer settlement system "Sirius" from EG Utility together with the two owners: the distribution companies HNG I/S and Naturgas Midt-Nord I/S (now merged into HMN Naturgas I/S). The new system has worked satisfactorily, but initially the employees had to make an extraordinary effort to solve the problems which are to be expected from a new IT system. The problems have successfully been kept within the company, except from customer service which is slower than usual. 2009 saw a significant improvement. Minor errors and inexpediences impairing the customer service have been remedied by our supplier, and wait times in customer service are once again an exception to the rule. In November 2009, the 2nd phase came on stream. It comprises an operating and maintenance system primarily related to technical service for our customers. The launch passed off without major problems to our customers.

Customers

At end-2009, HNG Midt-Nord Salg A/S had 232,160 customers, 16,812 of whom were domestic customers who only use natural gas for cooking. The customers are distributed by 158,810 in HNG's area and 55,538 in Midt-Nord's area. At end-2008, the total number of customers was 230,180.

2009 saw a considerable net influx of totally 2,598 heat customers and a reduction in cooking customers of 618. The net influx was affected by the lagged effects of the distribution companies' introduction of payment for service pipes in 2008 and many potential customers being required to change their oil tanks for environmental reasons. In 2009, only 2,210 new contracts were concluded and approx. 459 single-family home contracts

were lost. However, some of the lost customers has become the customers of HNG Midt-Nord Handel A/S. The loss of small customers to our competitors has been moderate and less than expected, but the competition on the market for medium-sized customers has intensified.

HNG Midt-Nord Salg A/S solely offers customers standard agreements adjusted according to published, regulated rates. The only financial product so far offered by HNG Midt-Nord Salg A/S is fixed-price agreements. More advanced agreements and agreements with large customers are solely offered by HNG Midt-Nord Handel A/S. As from 1 January 2010, it will not be possible to enter into fixed-price agreements since the new Danish Consumer Handling Act (*forbrugerhåndteringsloven*) prohibits that customers be bound for more than six months.

New sales

HNG Midt-Nord Salg A/S is not engaged in any sales activities for the distribution companies. To the extent that sales campaigns are carried out towards potential customers, this will be for the company's own account and risk. In 2009, HNG Midt-Nord Salg A/S chose to continue its marketing activities as regards sale to new customers by way of a spring and autumn campaign towards oil heated and electrically heated homes along the existing system.

The slower growth in Denmark had a significant impact on the influx of new contracts in 2009. The steep rise in the number of customers in 2008, totalling 8,306 new single-family home contracts, has fallen to 2,210 contracts. We have seen a pronounced slowdown in new construction. The attitude towards natural gas is still positive, but the new payment for service pipes poses a considerable barrier.

No doubt the customers' awareness of the possibilities of having natural gas is high. The customers choose natural gas as their source of energy when they are in a replacement situation.

New construction activities are still high with 498 new houses connected to the grid in 2009 compared with 1,542 in 2008. However, new construction activities declined rapidly in HNG's area, whereas they continued, but at a diminished pace, in Naturgas Midt-Nord's area.

A total of 191 electrically heated customers chose to switch to natural gas in 2009 against 423 customers in 2008.

The cooperation with the installation trade has been expanded under the “GasFitter Concept”, where the cooperation with natural gas active installation firms is intensified. The GasFitter cooperation comprises 157 installation firms in HNG’s supply area and 85 firms in Midt-Nord’s area. The GasFitter Concept is a continuation of many years of cooperation agreements in HNG’s area. However, the concept has been adjusted to a more mutually binding form similar to the one in Naturgas Midt-Nord, where the gas fitters make sales visits for HNG Midt-Nord Salg A/S.

Competitive situation

On 1 January 2004, the entire Danish gas market was liberalised which – after some sluggishness in the market – led to a further intensification of the competitive situation in Denmark, especially for major customers.

Overall, around 247,000 customers were connected in HNG’s and Midt-Nord’s distribution areas at the end of 2009. HNG Midt-Nord Salg A/S has some 232,000 customers. This means that around 15,000 customers have chosen to switch to another natural gas supplier, about 9,000 of whom to HNG Midt-Nord Salg A/S’ subsidiary HNG Midt-Nord Handel A/S. Primarily the largest customers have chosen to “try their luck” with another supplier.

In Denmark, there are 8 more or less active competitors on the market, only 3 of whom have shown an interest in small customers. We saw two new competitors on the market in 2009, but we expect that more are about to come.

Overall, competition and HNG Midt-Nord Salg A/S’ new gas purchase agreements have led to lower prices for the small and medium-sized customers. A more natural relationship than before between prices for small and large customers is now likely to have been established.

Result 2009

The financial result in the HNG Midt-Nord Salg group in 2009 was a profit before tax of DKK 221.9 million, up from DKK 187.1 million in 2008. The profit in the group was significantly higher than expected at the beginning of the year.

Revenue in the HNG Midt-Nord Salg group was DKK 3,000.1 million in 2009 (2008: DKK 3,127.1 million) and cost of sales was DKK 2,726.4 million (2008: DKK 2,980.6 million).

Revenue in the parent company HNG Midt-Nord Salg A/S totalled DKK 960.9 million in 2009 (2008: DKK 1,315.9 million) and cost of sales was DKK 853.7 million (2008: DKK 1,282.0 million).

The gross profit from sale of gas in the HNG Midt-Nord Salg group was DKK 273.7 million in 2009 (2008: DKK 146.5 million).

The gross profit from sale of gas in the parent company HNG Midt-Nord Salg A/S (the licensed company) was DKK 107.2 million in 2009 (2008: DKK 33.9 million).

Gas sale

In 2009, the weather was warmer than usual. The year under review had approximately 6% fewer degree days than in a normal year as defined by HMN I/S. Nonetheless, total group sales were more or less as budgeted although the sale to customers in both HNG Midt-Nord Salg A/S and the subsidiary HNG Midt-Nord Handel A/S was affected by the mild weather. In HNG Midt-Nord Handel A/S sales have been adversely affected by the economic crisis as well as the low electricity settlement prices for decentralised CHP plants. The defection of customers in the PSO company HNG Midt-Nord Salg A/S was lower than expected due to the favourable competitive position after conclusion of new purchase contracts in the market.

In 2009, total group sales were 949 million m³, broken down by 470 million m³ in HNG's area, 353 million m³ in Midt-Nord's area and 126 million m³ in other distribution areas. In 2008, sales totalled 996 million m³.

In the parent company HNG Midt-Nord Salg A/S, sales totalled 412 million m³, broken down by 312 million m³ in HNG's area and 100 million m³ in Midt-Nord's area. In 2008, sales totalled 400 million m³.

Other operating income

Other operating income primarily comprises market value adjustment of financial hedging of purchase and sales contracts. In 2009, other income totalled DKK 13.2 million against DKK 87.8 million in 2008.

Operating expenses

HNG Midt-Nord Salg A/S has no employees apart from the Executive Management. All other employees are employed with HMN Naturgas I/S (merger between HNG I/S and Naturgas Midt-Nord I/S). The company's operations are run by purchase of resources or services from HMN Naturgas I/S on an arm's length basis for the benefit of both parties 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 between the companies for the purpose of securing that the terms are fair for both parties. The conclusion of service agreements is based on experience from 2008.

Operating expenses in the HNG Midt-Nord Salg group are divided into service agreements and other operating expenses. In 2009, the operating expenses of the HNG Midt-Nord Salg group totalled DKK 76.3 million compared with DKK 58.6 million in 2008. The service agreements mainly concern purchase of resources by way of staff and specific services.

Interest

In the group, net interest income of DKK 11.6 million was realised in 2009. In 2008 net interest income totalled DKK 11.4 million.

In 2009, the company's cash position was excellent.

Net profit for the year

The profit before tax for the year in the HNG Midt-Nord Salg group is DKK 221.9 million, DKK 157.8 million of which can be attributed to the subsidiary HNG Midt-Nord Handel A/S, which is not subject to regulation by the Danish Energy Regulatory Authority. The realised profit after tax in the activity covered by the PSO licence is DKK 47 million. The profit after tax in the HNG Midt-Nord Salg group is DKK 163,5 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 for 2009 equivalent to an 8% return on

the company's share capital less the contributed capital in HNG Midt-Nord Handel A/S. The rate of return will be higher or lower if HNG Midt-Nord Salg A/S' costs pertaining to operation and purchase of natural gas are higher or lower than the corresponding expenses in the PSO companies of Naturgas Fyn or DONG Energy. Due to a pending appeal with respect to the PSO company of Naturgas Fyn, the conclusion of the Danish Energy Regulator Authority as regards the return on the contributed capital allowed in 2008 will not be known until spring 2010, and the results of the benchmark analysis in relation to the other PSO companies for 2009 are not expected to be available until autumn 2010. The Danish Energy Regulatory Authority has made the adjustment for 2007, and HNG Midt-Nord Salg A/S was allowed a total return of 17.3%, equal to DKK 17.3 million, owing to the company's low costs and low gas purchase prices. Originally, the starting point was DKK 8 million. The company estimates that a total return of approx. DKK 26 million will be allowed for 2008 and 2009.

Based on this estimate, the outstanding account with the customers of the PSO company will total about DKK 44 million which has to be repaid to the customers by way of a price reduction within the next few years. This amount covered by the regulation is recorded in the Balance Sheet as "reserve for price adjustment" under equity.

Special risks

Operating risks

The HNG Midt-Nord Salg group's earnings in 2009 mainly derive from a trade margin (a minor amount per m³ sold) attributed to expected gas purchase prices, and a fixed rate per customer.

In a warm year the group's gross profit will decrease owing to reduced sales. To this should be added a lower contribution margin per m³ owing to the hedging of take-or-pay commitments.

This risk has been mitigated by purchasing some of the natural gas quantities on flexible terms supplemented by quantities that can immediately be resold on the international market. The flexibility is estimated to be adequate to cope with normal temperature fluctuations and ordinary market share losses.

The future income base from customers depends on the HNG Midt-Nord Salg group being a supplier of gas. To the extent that the customers choose other gas suppliers, the company's income base will be eroded. The company has allowed for possible market share losses in its plans for the future.

Competitive strength

The market price for natural gas varies widely 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 so that the company's gas portfolio will be 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 group's risk is systematically removed by regularly hedging products sold together with HNG Midt-Nord Handel A/S which enters 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

The group offers 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, the group enters 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.

On entering into such agreements, the group accepts a price and foreign-exchange risk as the purchase and selling prices of the gas are fixed on a different basis. The group hedges 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 the group 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 the 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

It will have financial implications if the company's ordering and nominations of natural gas for the next 24 hours are outside the margins laid down in the rules governing the use of the transmission system. In 2009, the group built up considerable knowledge in this area while at the same time automating the routines in the company's nomination system. The nominations have been hampered by the increasing impact of electricity prices on the customers' gas consumption.

Loss on bad debts

The HNG Midt-Nord Salg group's customers are primarily small customers and district heating plants, so the risk of loss on debtors is low.

The economic development has led to increased focus on debtors. There has been a significant increase in losses, and the number of debt collection letters and extension agreements on time for payment is rapidly rising.

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

Operating expenses

HNG Midt-Nord Salg A/S has entered into service agreements with HNG I/S and Midt-Nord I/S (as from 1 January 2010 HMN Naturgas I/S) on for instance all staff costs since all employees are still employed with HNG I/S and Midt-Nord I/S, but are wholly or partly seconded to the HNG Midt-Nord Salg group. Selling and marketing expenses are directly covered by the HNG Midt-Nord Salg group.

Customer influx

HNG Midt-Nord Salg A/S is seeing a limited influx of new customers.

Customer defection

In 2009, HNG Midt-Nord Salg A/S did not experience any significant defection of customers. The total defection in the HNG Midt-Nord Salg A/S group comprises customers equal to less than 0.2 % in numbers.

Other matters

HNG Midt-Nord Salg A/S is a company in the HMN Naturgas group, and the group's risk management and internal control form part of the Consolidated Annual

Report. Similarly, the group's social responsibility appears from the Consolidated Annual Report.

Outlook

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

HNG Midt-Nord Salg A/S expects that, based on the gas purchase agreements concluded, the PSO company will be able to maintain a dominant position on the market for small customers and, consequently, only experience limited customer defection.

In 2009, the subsidiary HNG Midt-Nord Handel A/S proved to be an attractive partner for large and medium-sized enterprises. A major part of sales in 2010 has already been secured with robust earnings, and the company is also expected to increase its market share and report a significantly positive gross profit in the years ahead.

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

Statement by the Board of Directors and Executive Management

We have today considered and approved the Annual Report 2009 of HNG Midt-Nord Salg A/S for the financial year ending on 31 December 2009.

The Annual Report is prepared in accordance with the International Financial Reporting Standards, IFRS.

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 and result for both parent company and group as well as for the consolidated cash flows.

In our opinion, the Management's Review contains a true and fair account of the development in the activities and financial circumstances of the group and the company, of results of operations for the year and the financial position of the group and the company, as well as a description of the key risks and uncertainties facing the group and the company.

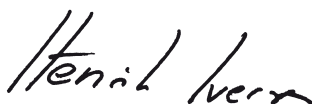
The Annual Report is submitted to the general meeting for adoption.

Gladsaxe, 25 March 2010

Executive Management



Ole Albæk Pedersen
Managing Director, CEO



Henrik Iversen
Vice Director

Board of Directors



Karin Søjberg Holst
Chairman



Ib Bjerregaard
Vice-chairman



Helge Friis



Jens Jørgen Nygaard



Hans J. Okholm



Ebbe Skovsgaard



Ole Ørbøl

Independent Auditors' Report

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

We have audited the Consolidated Financial Statements, the Financial Statements and Management's Review of HNG Midt-Nord Salg A/S for the financial year ending on 31 December 2009. The Consolidated Financial Statements and the Financial Statements comprise Income Statement, Statement of Comprehensive Income, Assets, Liabilities, Statement of Changes in Equity, Cash Flow Statement and Notes for the group and for the company. The Consolidated Financial Statements and the Financial Statements are prepared in accordance with International Financial Reporting Standards as endorsed by the EU and with additional Danish disclosure requirements. The Management's Review is also prepared in accordance with Danish disclosure requirements.

Management's responsibility

Management is responsible for the preparation and fair presentation of Consolidated Financial Statements and Financial Statements in accordance with International Financial Reporting Standards as endorsed by the EU and with additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements and Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for the preparation of a Management's Review that gives a true and fair account in accordance with Danish disclosure requirements.

Auditor's responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements, Financial Statements and Management's Review 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 that the Consolidated Financial Statements, Financial Statements and Management's Review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements, Financial Statements and Management's Review. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Consolidated Financial Statements, Financial Statements and Management's Review, 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 Consolidated Financial Statements and Financial Statements and to the preparation of a Management's Review that gives a true and fair account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 Consolidated Financial Statements, Financial Statements and Management's Review.

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 Consolidated Financial Statements and Financial Statements give a true and fair view of the assets, liabilities and financial position as at 31 December 2009 of the group and the company and of the results of the group and company operations as well as cash flows for the financial year ending on 31 December 2009 in accordance with International Financial Reporting Standards as endorsed by the EU and additional Danish disclosure requirements. Moreover, in our opinion, the Management's Review contains a true and fair account of the development in the activities and financial circumstances of the group and the company, of results of operations for the year and the financial position of the group and the company, as well as a description of the key risks and uncertainties facing the group and the company in accordance with Danish disclosure requirements.

Hellerup, 25 March 2010

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab



Per Timmermann

State Authorised Public Accountant



Anders Skødt

State Authorised Public Accountant

Income Statement

HNG Midt-Nord Salg A/S

HNG Midt-Nord Salg A/S

			Note	DKK million	
Parent company				Group	
2008	2009			2009	2008
1,315.9	960.9	Revenue		3,000.1	3,127.1
-1,282.0	-853.7	Cost of sales		-2,726.4	-2,980.6
33.9	107.2	Gross profit		273.7	146.5
0.8	3.0	Other operating income		13.2	87.8
-41.7	-54.3	Other operating expenses	1, 2	-76.3	-58.6
0.0	0.0	Depreciation	5	-0.3	0.0
-7.0	55.9	Operating profit		210.3	175.7
8.7	8.2	Net financials	3	11.6	11.4
1.7	64.1	Profit before tax		221.9	187.1
20.8	-17.1	Tax on the profit for the year	4	-58.4	-23.7
22.5	47.0	NET PROFIT FOR THE YEAR		163.5	163.4

Statement of Comprehensive Income

			DKK million	
Parent company			Group	
2008	2009		2009	2008
22.5	47.0	NET PROFIT FOR THE YEAR	163.5	163.4
14.1	-29.0	Other income for the year:		
		Reserve for price adjustment	-29.0	14.1
14.1	-29.0	Other income	-29.0	14.1
36.6	18.0	Total income for the year	134.5	177.5

Balance Sheet

HNG Midt-Nord Salg A/S

HNG Midt-Nord Salg A/S

		Note		DKK million	
Parent company				Group	
31.12.2008	31.12.2009			31.12.2009	31.12.2008
ASSETS					
0.0	0.0	Other fixtures and fittings, tools and equipment	5	1.0	0.7
125.9	125.9	Investment in group enterprise	6	0.0	0.0
0.0	0.0	Other investments		5.6	6.9
125.9	125.9	Total investments		5.6	6.9
125.9	125.9	Total fixed assets		6.6	7.6
0.0	0.0	Inventories		97.6	158.8
28.9	22.2	Trade receivables		252.7	285.2
133.4	0.0	Receivables from HNG Midt-Nord Handel A/S		0.0	0.0
10.7	8.6	Receivables from HNG I/S and Naturgas Midt-Nord I/S		106.3	150.1
10.6	18.1	Joint taxation contribution receivable		0.0	0.0
37.8	51.5	Other receivables	7	144.9	610.9
9.6	0.0	Deferred tax asset		10.6	23.8
230.9	100.4	Total receivables		514.5	1,070.0
393.4	471.6	Cash		611.8	465.8
624.3	572.0	Total current assets		1,223.9	1,694.6
750.2	697.9	TOTAL ASSETS		1,230.6	1,702.2
LIABILITIES AND EQUITY					
50.0	50.0	Share capital		50.0	50.0
15.0	44.0	Reserve for price adjustment		44.0	15.0
274.2	292.3	Retained earnings		445.0	310.3
339.2	386.3	Total equity	8	539.0	375.3
0.9	1.4	Trade payables		355.0	399.8
157.1	155.2	Payables to HNG Midt-Nord Handel A/S		0.0	0.0
0.0	125.0	Subordinated loan capital		125.0	0.0
13.4	6.1	Payables to HNG I/S and Naturgas Midt-Nord I/S		6.9	15.1
235.0	0.0	Prepayments received from customers		14.0	269.5
4.6	23.1	Other payables	9	189.9	642.5
0.0	0.8	Provisions		0.8	0.0
411.0	311.6	Total short-term liabilities		691.6	1,326.9
411.0	311.6	TOTAL LIABILITIES		691.6	1,326.9
750.2	697.9	LIABILITIES AND EQUITY		1,230.6	1,702.2
Derivative financial instruments					
Contingent liabilities					
Related parties					
Shareholders					
Changes in working capital					
Purchase obligations and guarantees issued					
Gas contracts and price derivatives					
Accounting policies					
Accounting estimates and judgements					

Cash Flow Statement - Group

HNG Midt-Nord Salg A/S

HNG Midt-Nord Salg A/S

		Note	DKK million	
Parent company			Group	
2008	2009		2009	2008
		Cash flow from operating activities		
-7.0	55.9	Operating profit	210.3	175.7
0.0	0.0	Financial income	-10.2	-87.8
0.0	0.0	Financial expenses	0.3	0.0
8.7	8.2	Tax paid	11.6	11.7
0.0	0.8	Changes in provisions	2	0.0
-121.9	13.3	Changes in working capital	-67.4	-129.4
-120.2	78.2	Total cash flow from operating activities	146.6	-29.8
-2.3	0.0	Cash flow from investing activities	-0.6	-2.3
-122.5	78.2	Total increase/decrease in cash and cash equivalents	146.0	-32.1
427.5	393.4	Cash and cash equivalents, at 1 January	465.8	497.9
393.4	471.6	Cash and cash equivalents, at 31 December	611.8	465.8

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Notes

HNG Mid-Nord Salg A/S

HNG Mid-Nord Salg A/S

DKK million

Parent company			Group	
2008	2009		2009	2008
		Note 1. Fee for auditor appointed by general meeting		
0.1	0.1	Auditor's fees	0.2	0.2
0.1	0.1	Auditor's fees, balance relating to previous year	0.2	0.4
0.2	0.2	Total fees		
		Note 2. Staff costs		
		The company has only employed the Executive Management. The other employees have been recruited and employed by HMN Naturgas I/S and pay to both employees and the Executive Management is defrayed by HMN Naturgas 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.		
1.3	1.4	Remuneration for the Executive Management	2.7	2.5
0.2	0.2	Total remuneration for the Board of Directors	0.3	0.3
		Note 3. Net financials		
		<i>Financial income:</i>		
22.6	9.0	Interest income on cash funds from operations	13.3	26.4
0.0	0.0	Net currency adjustment	0.1	0.0
22.6	9.0		13.3	26.4
		<i>Financial expenses:</i>		
-13.9	-0.2	Guarantee commission and interest expenses conc. subordinated loan capital	-0.2	-13.9
0.0	-0.0	Net currency adjustment	0.0	-0.3
-0.0	-0.6	Other financial expenses	-1.5	-0.8
-13.9	-0.8		-1.7	-15.0
8.7	8.2	Total net financials	11.6	11.4

DKK million

Parent company			Group	
2008	2009		2009	2008
Note 4. Tax on the profit for the year				
11.2	-17.1	Current tax for the year	-54.8	-12.5
9.6	0.0	Deferred tax for the year	-3.6	-11.2
20.8	-17.1	Total tax for the year	-58.4	-23.7
<i>broken down as follows:</i>				
20.8	-17.1	Tax on the profit for the year	-58.4	-23.7
0.0	0.0	Tax on changes in equity	0.0	0.0
20.8	-17.1	Total tax for the year	-58.4	-23.7
<i>Tax on the profit for the year may be specified as follows:</i>				
25 %	25 %	Corporation tax rate	25 %	25 %
<i>Tax effect of:</i>				
-2.6 %	0.0 %	Loss from prior years	0.0 %	-1.0 %
-24.4 %	-	Result in group enterprise	-	-
-12.4 %	-15.0 %	Amortisation of goodwill for tax purposes	-4.8 %	-5.7 %
-0.1 %	1.2 %	Other tax adjustments	6.1 %	-5.6 %
-14.5 %	11.2 %	Effective tax rate	26.3 %	12.7 %
<i>The tax assets is broken down as follows:</i>				
9.6	0.0	Intangible assets	10.6	10.6
0.0	0.0	Other timing differences	0.0	0.0
9.6	0.0	Total tax asset	10.6	10.6

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 5. Fixed assets

DKK million

	Other fixtures & fittings, tools & equipment	Investments	Total fixed assets
Cost at 1 January 2009	0.7	6.9	7.6
Additions	0.6	4.8	5.4
Disposals	0.0	-6.1	-6.1
Cost at 31 December 2009	1.3	5.6	6.9
Depreciation at 1 January 2009	0.0	0.0	0.0
Depreciation	0.3	0.0	0.3
Depreciation at 31 December 2009	0.3	0.0	0.3
Net revaluations at 1 January 2009	0.0	0.0	0.0
Revaluation during the year			0.0
Net revaluations at 31 December 2009	0.0	0.0	0.0
Carrying amount at 31 December 2009	1.0	5.6	6.6
Cost at 1 January 2008	0.0	5.3	5.3
Additions	0.7	16.3	17.0
Disposals	0.0	-14.7	-14.7
Cost at 31 December 2008	0.7	6.9	7.6
Depreciation at 1 January 2008	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0
Depreciation at 31 December 2008	0.0	0.0	0.0
Net revaluations at 1 January 2008	0.0	0.0	0.0
Revaluation during the year	0.0	0.0	0.0
Net revaluations at 31 December 2008	0.0	0.0	0.0
Carrying amount at 31 December 2008	0.7	6.9	7.6

Note 6. Investments in subsidiaries

	2009	2008
Cost at 1 January 2009	55.0	55.0
Additions during the year	0.0	0.0
Disposals during the year	0.0	0.0
Cost at 31 December 2009	55.0	55.0
Revaluations at 1 January 2009	70.9	70.9
Revaluations carried back of disposals during the year	0.0	0.0
Valuation during the year	0.0	0.0
Revaluations at 31 December 2009	70.9	70.9
Carrying amount at 31 December 2009	125.9	125.9

DKK million

Parent company			Group	
2008	2009		2009	2008
Note 7. Other receivables				
34.6	51.5	VAT and duties receivable	51.5	34.6
0.0	0.0	Market value of derivatives to hedge purchase and sales contracts	93.4	573.1
3.2	0.0	Other receivables	0.0	3.2
37.8	51.5	Total other receivables	144.9	610.9

Note 8. Statement of changes in equity

Parent company	Share capital	Reserve for price adjustment	Retained earnings	Total equity
Equity at 1 January 2009	50.0	15.0	274.2	339.2
Net profit for the year	0.0	29.0	18.1	47.1
Equity at 31 December 2009	50.0	44.0	292.3	386.3
Equity at 1 January 2008	50.0	29.1	237.6	316.7
Net profit for the year	0.0	-14.1	36.6	22.5
Equity at 31 December 2008	50.0	15.0	274.2	339.2

Group	Share capital	Reserve for price adjustment	Retained earnings	Total equity
Equity at 1 January 2009	50.0	15.0	310.3	375.3
Net profit for the year	0.0	29.0	134.7	163.7
Equity at 31 December 2009	50.0	44.0	445.0	539.0
Equity at 1 January 2008	50.0	29.1	132.8	211.9
Net profit for the year	0.0	-14.1	177.5	163.4
Equity at 31 December 2008	50.0	15.0	310.3	375.3

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

The estimated difference between the financial result of the year and HNG Midt-Nord Salg A/S' regulatory income limit is transferred via the distribution of profit to reserve for price adjustment under equity in order to show that this portion of equity is not really available to the owners.

DKK million

Parent company			Group	
2008	2009		2009	2008
Note 9. Other payables				
0.0	0.0	Market value of derivatives to hedge purchase and sales contracts	135.9	625.8
4.6	23.1	Tax payable	23.1	4.6
0.0	0.0	VAT and duties payable	29.7	12.1
4.6	23.1	Total other payables	188.7	642.5

Note 10. Derivative financial instruments**DKK million**

See the Management's Review, section about special risks, derivative financial instruments.

Note 11. Contingent liabilities

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

Note 12. Related parties

The company has related parties with controlling influence.

HMN Naturgas I/S and the company's management have significant influence.

In 2009, HNG Midt-Nord Salg A/S requested various administrative services from HMN Naturgas I/S totalling DKK 30.8 million (2008: DKK 27.0 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 13. Shareholders

The company is owned by the following shareholders:

HMN I/S, Gladsaxe, 100%

Note 14. Changes in working capital

	Group	
	2009	2008
Changes in receivables and inventories	262.8	-20.1
Changes in trade payables, etc.	-330.2	-101.8
Total changes in working capital	-67.4	-121.9

Note 15. Purchase obligations and guarantees issued

The company has entered into binding agreements for the purchase of natural gas of totally DKK 1,333 million (2008: DKK 2,695 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 1,739 million (2008: DKK 2,146 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 932 million (2008: DKK 538.1 million).

On behalf of HNG Midt-Nord Salg and the subsidiary HNG Midt-Nord Handel, Nordea has provided guarantees totalling DKK 470.3 million (2008: DKK 400.4 million).

Note 16. Gas contracts and price derivatives

Sensitivity analysis of the financial portfolio – in case of a change in oil price and the US dollar rate of 10% – shows as follows:

As mentioned in Management's Review, section about Special risks, the company is exposed to gas price risks. The company hedges price and exchange-rate risks relating to binding agreements for future purchases and sale of gas with swaps and, to a limited extent, call and put options. The requirements concerning accounting hedging are not used. Price derivatives, which are based on oil prices, had a negative fair value as at 31.12.2009 of DKK 42.5 million (2008: DKK 52.7 million).

Risk	Price change	Estimated effect on result	
		2009	2008
Change in oil price and US dollar rate	10%	38.7	10.4
Change in oil price and US dollar rate	-10%	-38.7	-10.4

Note 17. Accounting policies.

The Annual Report is presented in accordance with International Financial Reporting Standards as endorsed by the EU and additional Danish disclosure requirements concerning annual reports for reporting class C, cf. the Danish Executive Order on IFRS Adoption issued in pursuance of the Danish Financial Statements Act. The Annual Report also complies with IFRS issued by the International Accounting Standards Board (IASB). The Annual Report is the first annual report presented in accordance with IFRS and comprises Consolidated Financial Statements for the company and its subsidiary as well as Financial Statements for the parent company.

Changes in accounting policies in connection with transition to IFRS

On transition to IFRS, the IFRS 1 standard, First-time adoption of IFRS, has been used. In conformity with this standard, an opening IFRS balance sheet as at 1 January 2008 has been prepared, and the accounting figures for 2009 and comparative figures for 2008 have been prepared in accordance with the standards (IFRS/IAS) and interpretations (IFRIC/SIC) applicable as at the balance sheet date in the transition year, i.e. as at 31 December 2009.

The transition to financial reporting in accordance with IFRS has involved changes in accounting policies as regards recognition and measurement of purchase and sales contracts for gas in the Consolidated Financial Statements and Financial Statements of the parent company:

Recognition and measurement of purchase and sales contracts for gas

So far the following agreements have been measured at fair value through the Income Statement:

- customer agreements comprising agreements with a price formula that differs from the list price and fixed-price agreements,
- binding sales and supply agreements at a fixed price,
- derivatives concluded for the purpose of hedging risks on such contracts.

According to IFRS the above agreements are recognised as follows:

- Customer contracts with an agreed price formula that differs from the list price are considered to incorporate a derivative financial instrument. This is to be separated and measured at fair value through the Income Statement.
- Oil and currency derivatives concluded for the purpose of hedging risks related to purchase and sale of gas are recognised at fair value through the Income Statement.
- Fixed-price agreements with customers are not recognised.
- Binding supply agreements at a fixed price have chiefly been concluded for own use and, therefore, are not recognised.

Parent company's measurement of investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company's Financial Statements. Cost is based on the carrying amount as at 1 January 2008, made up according to the previous accounting policies. The carrying amount as at 1 January 2008 was DKK 125.9 million. Dividend received is recognised as income.

Other changes in connection with transition to IFRS

Apart from changes concerning recognition and measurement, presentation and classification of items have been changed for the following areas in the Consolidated Financial Statements as well as in the parent company's Financial Statements:

- Provisions have been divided into long-term and short-term liabilities.
- Derivative financial instruments related to natural gas hedging are presented gross. So far, these instruments have been presented net.

The changes have not affected recognition and measurement. The comparative figures have been adjusted according to the changed presentation.

Total effect of transition to IFRS in terms of amounts**DKK million**

The total effect of changes in terms of amounts may be specified as follows:

Parent company	Equity 01.01.2008	Equity 1.12.2008	Result of 2008
Amounts according to previous accounting policies	316.7	414.9	98.2
Effect of changes in accounting policies			
Investments are now recorded at cost vs. equity value before	0.0	-75.7	-75.7
Total effect of change in IFRS	0.0	-75.7	-75.7
Amounts after IFRS	316.7	339.2	22.5
Statement of recognised income and costs			
Equity at 1 January 2008 adjusted		316.7	
Result, see above		22.5	
Total net income		22.5	
Equity at 31 December 2008		339.2	

Group	Equity 01.01.2008	Equity 1.12.2008	Result of 2008
Amounts according to previous accounting policies	316.7	414.9	98.2
Effect of changes in accounting policies			
Purchase and sales contracts	-104.8		65.2
Total effect of change in IFRS	-104.8	0.0	65.2
Amounts after IFRS	211.9	414.9	163.4
Statement of recognised income and costs			
Equity at 1 January 2008 adjusted		211.9	
Result, see above		163.4	
Total net income		163.4	
Equity at 31 December 2008		375.3	

Translation of foreign currency

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Assets, liabilities and other monetary items in foreign currency which have not been settled at the balance sheet date are translated at the exchange rate ruling at the balance sheet date. Exchange differences arising between the rate at the transaction date and the rate at the settlement date and the rate at the balance sheet date, respectively, are recognised in the Income Statement as net financials.

Consolidated Financial Statements

The Consolidated Financial Statements comprise HNG Midt-Nord Salg A/S (parent company) and HNG Midt-Nord Handel A/S (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

The HNG Midt-Nord Salg group uses derivative financial instruments for the purpose of hedging price risks in connection with purchase and sale of gas.

On initial recognition, the derivative financial instruments are measured at the fair value of the remuneration paid or received. Subsequent to initial recognition, the derivative financial instruments are measured at the 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 a recognised asset or a recognised liability, are recorded in the Income Statement together with change in the fair value of the asset or liability related to the hedged risk.

Changes in the fair value of derivative financial instruments not complying with the requirements for accounting hedging are recognised in the Income Statement. Changes in the fair value of derivatives concluded for the purpose of hedging price risks related to gas are recognised in revenue.

Income Statement

Revenue

Revenue includes the sale of natural gas less discounts. Revenue is recognised in line with delivery of natural gas. Income from customers paying on account has been calculated for the period after the latest annual statement of account.

Other operating income

Other operating income comprises items of a secondary nature in relation to the company's activities, including value adjustment of financial instruments.

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 the parent company, 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 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 based on 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 subsidiary

Investments in subsidiaries are measured at cost in the parent company's Financial Statements. Cost is based on the carrying amount as at 1 January 2008, made up according to the previous accounting policies.

Investments

Investments are measured at the amortised cost of contracts for operating leases of natural gas equipment with customers.

Inventories

Natural gas inventories are measured at cost, made up according to weighted average prices, or the net realisable value if this is lower. The net realisable value for inventories is computed as the expected selling price less costs to be defrayed to effect a sale.

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.

Price agreements with customers containing a price formula that differs from the list price are separated from the supply agreement and recognised as derivative financial instruments.

Other receivables and prepayments

Other receivables, including other financial receivables, are measured at amortised cost which is usually equal to the nominal value. Prepayments recognised under 'Assets' include expenses incurred concerning subsequent reporting periods. Prepayments are 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 at the balance sheet date. Provisions with an estimated due

date more than one year from the balance sheet date will be measured at discounted present value. Change in the net present value will be included under net financials.

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 is usually equal to the nominal value.

Financial liabilities

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

Cash Flow Statement

The company's Cash Flow Statement is presented according to the indirect method showing cash flows from operating, investing and financing activities and the company'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 investing activities include payments in connection with purchase and sale of enterprises and activities as well as purchase and sale of intangible assets, property, plant and equipment as well as investments.

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

Cash and cash equivalents include cash and short-term securities with negligible price exposure less short-term bank debt.

Financial ratios

The financial ratios have been computed as follows:

$$\text{Gross margin} = \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Profit ratio} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Rate of return} = \frac{\text{Operating profit} \times 100}{\text{Balance sheet total}}$$

$$\text{Return on equity} = \frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$

$$\text{Equity ratio} = \frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$

New accounting standards not yet effective

At the time of the presentation of Annual Report 2009, IASB and IFRIC have published various new standards and interpretations which shall apply to financial years beginning after 31 December 2009. Therefore, these standards have not been applied in the preparation of this annual report.

The following standards and interpretations have been adopted by IASB and endorsed by the EU, but are not yet effective and therefore not yet implemented:

Amendment to IAS 27 "Consolidated and Parent Companies' Financial Statements"

The amendment implies that if an enterprise acquires or sells ownership interests in a subsidiary without losing control, the difference between the purchase price and the net asset value hereof must be recorded as an equity transaction.

Amendment to IAS 39 "Financial instruments: Recognition and Measurement"

According to the amendment, it is not possible to let the time value of an option reflect the hedged risk, and it is only possible to hedge the inflation element insofar as it is contractually specified.

IFRS 3 "Business Combinations"

The amendment to IFRS 3 concerns i.a. the following:

- Transaction costs are recognised in the Income Statement as incurred.
- Adjustments to contingent consideration are principally recognised through the Income Statement
- Possibility of recognising goodwill attached to non-controlling interests
- Existing relations between the buyer and the business acquired must now be recorded at fair value.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

Clarifies that dividend payable in non-cash assets are to be measured at fair value.

The new standards and interpretations are not expected to have a material impact on the results, equity or the disclosure level of future annual reports.

Note 18. Accounting estimates and judgements.

On recognition and measurement of items in the Financial Statements, it will in some cases be necessary to make estimates and assumptions on future events that affect the reported income and expenses in the financial period and the disclosure of contingent assets and liabilities as at the balance sheet date. Estimates and judgements are based on historical experience and other relevant factors which Management believes to be reasonable under the circumstances, but which inherently are uncertain and unpredictable. Thus, actual results could differ from those estimates.

The estimates and judgements and the underlying assumptions are regularly revised. Changes to the accounting estimates are recognised in the financial period in which the changes were made and in future financial periods if they are affected by the changes.

Estimates of material importance to the financial reporting are based on accruals for employee benefits, restoration obligations as well as valuation of derivative instruments not traded in an active market, etc.

Valuation of derivative financial instruments not traded in an active market

The HNG Midt-Nord Salg group hedges commodity and currency risks.

These hedging transactions relate to future income from sale – and costs in connection with purchase of natural gas. Besides, customer contracts include a price index which is treated as separate derivative financial instruments, see below.

The fair value of derivatives used to hedge commodity risks and derivatives incorporated in customer contracts is based on valuation models using prices derived from trades in markets that are less liquid than for instance interest markets. Thus, the valuation is subject to some uncertainty.

On 31 December 2009, the carrying amount of derivative financial instruments used to hedge commodity risks and derivatives incorporated in customer agreements totalled DKK 93.4 million under assets and DKK 135.9 million under liabilities. The corresponding amounts for 2008 were DKK 573.1 million under assets and DKK 625.8 million under liabilities.

Key Figures and Financial Ratios – Group

HNG Midt-Nord Salg A/S

HNG Midt-Nord Salg A/S

Finances (DKK million)	2009	2008	2007*	2006*	2005*
Revenue	3,000.1	3,127.1	2,121.2	2,322.2	2,179.6
Gross profit	273.7	146.5	117.5	71.1	31.8
Other operating income	13.2	87.8	2.0	1.8	0.4
Net external expenses	63.1	57.8	52.4	30.9	30.9
Net financials	11.6	11.4	16.1	9.7	13.7
Net profit for the year	221.9	187.1	81.1	49.9	14.6
Trade receivables	252.7	285.3	317.7	45.4	97.0
Equity	539.0	375.3	316.7	235.6	185.7
Balance sheet total	1,230.6	1,702.2	1,115.1	957.3	862.5
Financial ratios (%)	2009	2008	2007	2006	2005
Gross margin	9.1	4.7	5.5	3.1	1.5
Profit ratio	7.0	5.6	3.1	2.2	1.0
Rate of return	17.1	10.3	5.8	4.2	0.1
Return on equity	35.8	21.9	29.4	23.7	8.2
Equity ratio	43.8	22.0	28.4	24.6	21.5
Statistics	2009	2008	2007	2006	2005
Sale (million m3 natural gas)	949	996	776	694	759
Connected	2009	2008	2007	2006	2005
Domestic customers (No.)	16,812	17,430	18,352	20,448	21,228
Customers (No.)	215,348	212,750	204,561	206,778	202,878

*Key figures for 2005-2007 have not been adjusted to the new accounting policies.

Management's Review

HNG Midt-Nord Handel A/S

Gas purchases

HNG Midt-Nord Handel A/S is responsible for all purchases, storage and transport of natural gas to cover the supply of natural gas to both HNG Midt-Nord Salg A/S' and HNG Midt-Nord Handel A/S' natural gas customers.

In 2009, HNG Midt-Nord Handel A/S purchased around 949 million m³ of natural gas in both Germany, the Netherlands and Denmark. About 412 million m³ have been resold to HNG Midt-Nord Salg A/S and about 537 million m³ have been sold to own customers. HNG Midt-Nord Handel A/S is handling the transport of the natural gas to the Danish border and in the Danish distribution system.

For the purpose of meeting the company's need for flexibility, HNG Midt-Nord Handel A/S has utilised the flexibility options incorporated in the purchase contracts and acquired storage capacity with Energinet.dk Lager.

HNG Midt-Nord Handel A/S enters into gas purchase agreements running from only 1 day to 5 years. Our strategy is to purchase long-term gas to our core market, including HNG Midt-Nord Salg A/S, whereas we do not purchase natural gas to the more competitive market until we have won the customer.

During 2009, HNG Midt-Nord Handel A/S has continued to negotiate a number of framework agreements (EFET agreements) with various suppliers so that it will be possible, on an ongoing basis, to trade and hedge the positions. At the end of 2009, agreements with 19 counterparties had been concluded.

HNG Midt-Nord Handel A/S wants a liquid and transparent Danish gas exchange and has been active at the Danish gas exchange, Nord Pool Gas, since its launch in March 2008. The liquidity at the exchange is still low, but the number of trades is growing nicely. Since September 2009, HNG Midt-Nord Handel A/S has served as a market maker, i.e. has undertaken to quote both buy and sell prices every day, for a swap product between the German gas system and the Danish one. We hope that this initiative will enhance the transparency of the market, but also the liquidity at the exchange. During 2009, HNG Midt-Nord Handel A/S effected 758 major and minor gas trades apart from the trades at Nord Pool Gas. In our opinion, the liquidity in the wholesale market markedly improved in 2009 in both Denmark and our nearest markets. The liquidity in Denmark is still affected by periods in which the border is closed for import of gas from the neighbouring markets.

As in 2008, the natural gas storage in Denmark was

auctioned off in 2009, but at higher prices. For the first time, Energinet.dk chose to sell 20% of the storage on 3-year contracts and the remaining 80% on 1-year contracts. The demand for long-term storage contracts was pronounced, and the storage prices were considerably higher than for 1-year storage packages. Apparently, the longer-term storage packages will become more popular in the future storage auctions.

Customers and the competitive situation

At end-2009, HNG Midt-Nord Handel A/S had approx. 10,000 customers with an expected overall annual natural gas consumption of just over 600 million m³.

HNG Midt-Nord Handel A/S consolidated its market share in 2009. Thus, the company's volume of contracts at the end of 2009 is still around 600 million m³, or at the same level as at the end of 2008. The number of customers has risen marginally.

The competitive situation has intensified considerably since the market was fully liberalised six years ago. For the very large customers, tenders and supplier changes have become an obvious choice.

In 2009, especially the competitive situation in the medium-sized business segment changed as the customers' knowledge of the market and the suppliers' interest in the market matured.

More and more customers demand better prices through various kinds of tenders. However, the market is fairly non-transparent as the conditions depend widely on the chosen customer-price index and contract binding by way of quantities, period and load patterns which make it difficult for many customers to see through the many offers on the market. The general picture is that offers in the competitive market are accompanied by stricter bindings and higher risks for the customers than what they have been used to.

HNG Midt-Nord Handel A/S has introduced quotations that follow the prices at the Danish gas exchange, Nord Pool Gas. Some customers attach importance to price transparency and to prices being subject to market regulation although they know that the liquidity at the Danish gas market is limited. In practice, the prices follow more or less the Dutch gas exchange, but not in periods when the transmission pipeline across the Danish border is closed for import.

HNG Midt-Nord Handel A/S finds it important to be able to offer the customers as flexible and unproblematic

contracts as possible. Many of our customers want low risk and as little trouble as possible, and HNG Midt-Nord Handel A/S' offers for flexible contracts have been positively received by the customers.

As in the previous years, HNG Midt-Nord Handel A/S also in 2009 developed a number of new products and services which have contributed to improving the company's competitive strength and making it easier for the customers to compare offers.

Risk

HNG Midt-Nord Handel A/S hedges the purchase price on the same day as the purchase agreement is concluded so that it will match the variable selling price in the end customer market when the gas is expected to be used. Similarly, the agreed selling price is hedged each time it deviates from the usual form of indexation.

The rapid price changes in the oil and gas markets in 2008 tested our resilience as regards financial hedging. In 2009, our hedging operations were very efficient.

All HNG Midt-Nord Handel A/S' purchase agreements include take-or-pay terms where the risk is regularly assessed. By utilising the flexibility incorporated in the gas purchase agreements, by purchasing capacity in natural gas storage, by selling volumes in the wholesale market or by trying to increase the sale to the end customer market, take-or-pay payment can be prevented. Despite the mild winter of 2009, HNG Midt-Nord Handel A/S was not affected by take-or-pay in 2009.

Up until 2008, our customers' ability to pay was good and our losses on bad debts very few, but in 2008 there was some indication that the first problems were emerging. The impact was felt in 2009, where total loss on bad debts including provisions was DKK 3.6 million compared with the estimated DKK 1.2 million. We still expect substantial losses on bad debts in 2010, where we have increased the estimated losses to DKK 2.5 million. The financial circumstances of the customers are assessed at the signing of contracts as regards the need for deposits, and overdue invoices of major customers are checked every month.

Result

In 2009, HNG Midt-Nord Handel A/S reported a profit before tax of DKK 157.8 million compared with DKK 185.4 million in 2008. The result was better than expected at the beginning of the year.

The gross profit from sale of gas was DKK 166.5 million in 2009 compared with DKK 112.6 million in 2008.

Gas sale

HNG Midt-Nord Handel A/S is responsible for the overall purchase of natural gas for both its own customers and for HNG Midt-Nord Salg's customers.

In 2009, total sales to HNG Midt-Nord Handel A/S' own customers were 537 million m³ natural gas compared with 595 million m³ in 2008. The sale is broken down by 158 million m³ in the HNG area, by 252 m³ in the Midt-Nord area and 127 million m³ in other distribution areas.

The sale to HNG Midt-Nord Salg A/S totalled 412 million m³ in 2009.

Other operating income

Other operating income primarily comprises market value adjustment of financial hedging of purchase and sales contracts. In 2009, other income totalled DKK 10.2 million against DKK 87.0 million in 2008.

Other operating expenses

HNG Midt-Nord Salg A/S has no employees apart from the Executive Management. All employees are employed with HNG I/S or Midt-Nord I/S. The company's operations are run by purchase of resources or services from HNG I/S or Naturgas Midt-Nord I/S or from external partners. A number of service agreements have been established which specify quality, competence and payment for purchase of resources and services from HNG or Midt-Nord for the purpose of securing that the trading is done on market terms. The employees solely engaged in the activities of Handel A/S or Salg A/S will be directly employed by the companies during spring 2010.

Operating expenses in HNG Midt-Nord Handel A/S are divided into service agreements and other operating expenses. In 2009, HNG Midt-Nord Handel A/S had net operating expenses of DKK 22.0 million compared with DKK 16.9 million in 2008. The service agreements, which include all staff costs, account for 70% of total operating expenses.

Net financials

Interest income from available funds and other net financials totalled DKK 3.4 million in 2009 against DKK 2.7 million in 2008.

Income taxes

The estimated tax on the profit for the year is DKK 41.3 million. DKK 2.6 million of this amount is adjustment of deferred tax owing to adjustment of financial hedging of purchase and sales contracts stated under other operating income

Special risks

Operating risks

In 2009, HNG Midt-Nord Handel A/S' income derived from a small trade margin by way of a minor amount per m³ sold as well as the realised net effect of financial hedging of the company's contracts with customers and on the company's purchase of natural gas.

Transmission and storage

Up to 40% of HNG Midt-Nord Handel A/S' transmission and storage costs are fixed payments. The company compensates for this by charging especially large customers a fixed and variable contribution for transmission and storage. However, the majority is charged as a minor amount per m³ natural gas sold.

Take-or-pay terms

A significant portion of the company's quantity contracts has been concluded on take-or-pay terms which means that HNG Midt-Nord Handel A/S 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.

Transport of natural gas

A substantial portion of the company's natural gas is bought internationally and must be transported to Denmark. This involves a risk of transport interruptions and, consequently, imbalance in the Danish gas grid in relation to Energinet.dk and in relation to the gas grid abroad which might entail losses due to compulsory sale and purchase.

Competitive strength

The market price for natural gas varies widely 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 loses competitiveness. This risk has to some extent been covered by the terms of sale for the agreements concluded with customers matching the terms of purchase.

The significant gas surplus in Europe due to the crisis has resulted in the gas price being increasingly uncoupled from the oil price. Therefore, there is a growing risk that contracts with traditional oil price adjustments will lose competitiveness in the short run.

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 controlled by regularly hedging products sold with 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 Handel A/S offers 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 Handel A/S enters 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.

On entering into such agreements HNG Midt-Nord Handel A/S accepts a price and foreign-exchange risk as the purchase and selling prices of the gas are fixed on a different basis. HNG Midt-Nord Handel A/S hedges 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 Handel A/S in fact will have no risk in connection with the purchase and sales agreements concluded.

Focus on credit

Trading in international gas markets and hedging of market-related risks with financial products increasingly require guarantees. The company may to a certain extent be prevented from entering into the best contracts on

the best terms due to lack of credit approval from potential counterparties. By strengthening the company's equity, establishing bank credit lines and, on an ongoing basis, entering into trade relations with accompanying credit and guarantees, the company will enhance its room for manoeuvre on the market and its possibility of hedging risks.

A number of deviations in the Danish insolvency legislation compared to European standards increases the company's credit requirements in relation to foreign counterparties.

Ordering and nominations

It will have financial implications if the company's ordering and nominations of natural gas for the next 24 hours are outside the margins laid down in the rules governing the use of the transmission system. In 2007-2009, the company has built up considerable knowledge on control in this area. However, the control has been complicated by an increasing portion of sales no longer being dependent on weather, but on electricity prices.

Loss on bad debts

In 2007-09, HNG Midt-Nord Handel A/S increased its share of business enterprises in its customer portfolio, while previously the portfolio primarily consisted of district heating companies with very limited risk of loss on debtors. This entails an increased risk of loss on debtors. Therefore, upon the conclusion of contracts the company has ongoing focus on the creditworthiness of the customers.

Other matters

HNG Midt-Nord Salg A/S is a company in the HMN Naturgas group, and the group's risk management and internal control form part of the Consolidated Annual Report. Similarly, the group's social responsibility appears from the Consolidated Annual Report.

Outlook

Like in 2009, HNG Midt-Nord Handel A/S will be in the purchase market for natural gas in order to maintain the company's competitive strength.

HNG Midt-Nord Handel A/S will continue to offer competitive products on individual terms to major customers. Contracts concluded in 2009 have shown that there is a need for an enterprise which tailors creative products to the needs of the individual customer.

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.

Statement by the Board of Directors and Executive Management

We have today considered and approved the Annual Report 2009 of HNG Midt-Nord Handel A/S for the financial year ending on 31 December 2009.

The Annual Report is prepared in accordance with the International Financial Reporting Standards, IFRS.

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

In our opinion, the Management's Review contains a true and fair account of the development in the activities and financial circumstances of the group and the company, of results of operations for the year and the financial position of the group and the company, as well as a description of the key risks and uncertainties facing the group and the company.

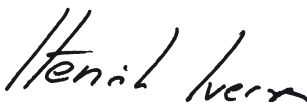
The Annual Report is submitted to the general meeting for adoption.

Gladsaxe, 25 March 2010

Executive Management



Ole Albæk Pedersen
Managing Director, CEO



Henrik Iversen
Vice Director

Board of Directors



Karin Søjberg Holst
Chairman



Ib Bjerregaard
Vice-chairman



Helge Friis



Jens Jørgen Nygaard



Hans J. Okholm



Ebbe Skovsgaard



Ole Ørbøl

Independent Auditors' Report

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

We have audited the Financial Statements and Management's Review of HNG Midt-Nord Handel A/S for the financial year ending on 31 December 2009. The Financial Statements comprise Income Statement, Statement of Comprehensive Income, Assets, Liabilities, Statement of Changes in Equity and Notes for the group and for the company. The Financial Statements are prepared in accordance with International Financial Reporting Standards as endorsed by the EU and with additional Danish disclosure requirements for listed companies. The Management's Review is also prepared in accordance with Danish disclosure requirements.

Management's responsibility

Management is responsible for the preparation and fair presentation of Financial Statements in accordance with International Financial Reporting Standards as endorsed by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for the preparation of a Management's Review that gives a true and fair account in accordance with Danish disclosure requirements.

Auditor's responsibility

Our responsibility is to express an opinion on the Financial Statements and Management's Review 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 that the Financial Statements and Management's Review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and Management's Review. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the Financial Statements and Management's Review, 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 Financial Statements and to the preparation of a Management's Review that gives a true and fair account

in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 Financial Statements and Management's Review.

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 Financial Statements give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2009 and of the results of the company operations for the financial year ending on 31 December 2009 in accordance with International Financial Reporting Standards as endorsed by the EU and additional Danish disclosure requirements for listed companies. Moreover, in our opinion, the Management's Review contains a true and fair account of the development in the activities and financial circumstances of the company, of results of operations for the year and the financial position of the company, as well as a description of the key risks and uncertainties facing the company in accordance with Danish disclosure requirements for listed companies.

Hellerup, 25 March 2010
PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab



Per Timmermann
State Authorised Public Accountant



Anders Skødt
State Authorised Public Accountant

Income Statement

HNG Midt-Nord Handel A/S

HNG Midt-Nord Handel A/S

DKK million	Note	2009	2008
Revenue		2,895.6	3,122.0
Cost of sales		-2,729.1	-3,009.4
Gross profit		166.5	112.6
Other operating income		10.2	87.0
Other operating expenses	1, 2	-22.0	-16.9
Depreciation	5	-0.3	0.0
Operating profit		154.4	182.7
Net financials	3	3.4	2.7
Profit before tax		157.8	185.4
Tax on the profit for the year	4	-41.3	-44.5
NET PROFIT FOR THE YEAR		116.5	140.9

Statement of Comprehensive Income

	DKK million	
	2009	2008
NET PROFIT FOR THE YEAR	116.5	140.9
Other income for the year:		
Reserve for price adjustment	0.0	0.0
Other income	0.0	0.0
Total income for the year	116.5	140.9

Balance Sheet

HNG Midt-Nord Handel A/S

HNG Midt-Nord Handel A/S

DKK million	Note	31.12.2009	31.12.2008
ASSETS			
Property, plant and equipment		1.0	0.7
Investments		5.6	6.9
Total fixed assets	5	6.6	7.6
Inventories			
		97.6	158.8
Trade receivables		230.4	256.4
Receivables from HNG Midt-Nord Salg A/S		155.2	157.1
Receivables from HNG I/S and Naturgas Midt-Nord I/S		97.7	139.4
Other receivables		93.4	573.1
Deferred tax asset	4	10.6	14.2
Total receivables		587.3	1,140.2
Cash			
		140.2	72.4
Total current assets		825.1	1,371.4
TOTAL ASSETS		831.7	1,379.0
LIABILITIES AND EQUITY			
Share capital		10.0	10.0
Retained earnings		268.5	152.0
Total equity	6	278.5	162.0
Total long-term liabilities			
		0.0	120.0
Loan from HNG Midt-Nord Salg A/S		0.0	120.0
Total long-term liabilities			
		0.0	120.0
Total short-term liabilities			
		553.2	1,097.0
Trade payables		353.6	398.9
Joint taxation contribution receivable		18.1	23.9
Payables to HNG I/S and Naturgas Midt-Nord I/S		0.7	1.7
Prepayments received from customers		14.0	34.5
Other payables	7	166.8	638.0
Total short-term liabilities		553.2	1,097.0
Total liabilities		553.2	1,217.0
LIABILITIES AND EQUITY		831.7	1,379.0
Derivative financial instruments	8		
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Cash Flow Statement

HNG Midt-Nord Handel A/S

HNG Midt-Nord Handel A/S

DKK million	Note	2009	2008
Cash flow from operating activities:			
Operating result before tax and net financials		154.4	182.7
Reversal of other operating income		-10.2	-87.0
Reversal of depreciation		0.3	0.0
Net financials		3.4	2.7
Changes in provisions		1.2	0.0
Changes in working capital	12	39.3	-64.1
Total cash flow from operating activities		188.4	34.3
Cash flow from investing activities		-0.6	-2.3
Cash flow from loan with HNG Midt-Nord Salg A/S		-120	-30.0
Total increase/decrease in cash and cash equivalents		67.8	2.0
Cash and cash equivalents, at 1 January		72.4	70.4
Cash and cash equivalents, at 31 December		140.2	72.4

Notes

HNG Midt-Nord Handel A/S

Note 1. Fee for auditor appointed by the general meeting (DKK million)	2009	2008
Auditor's fees 2009	0.2	0.2
Auditor's fees, balance relating to previous year	0.1	0.2
Total fees	0.3	0.4
Note 2. Staff costs		
<p>The company has only employed the Executive Management. The other employees have been recruited and employed by HMN Naturgas I/S and pay to both employees and the Executive Management is defrayed by HMN Naturgas 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.</p>		
Remuneration for the Executive Management	1.3	1.2
Remuneration for the Board of Directors	0.1	0.1
Note 3. Net financials		
<i>Financial income:</i>		
Interest income on cash funds from operations	4.9	9.1
Net currency adjustment	0.1	0.0
	5.0	9.1
<i>Financial expenses:</i>		
Interest expense, loan with HNG Midt-Nord Salg A/S	-0.8	-5.3
Net currency adjustment	0.0	-0.3
Other financial expenses	-0.8	-0.8
	-1.6	-6.4
Net financials	3.4	2.7
Note 4. Corporation tax		
Current tax for the year	-37.7	-23.7
Deferred tax for the year	-3.6	-20.8
Total tax for the year	-41.3	-44.5
broken down as follows:		
Tax on the profit for the year	-38.7	-22.7
Tax on changes in equity	-2.6	-21.8
Total tax for the year	-41.3	-44.5
Tax on the profit for the year can be specified as follows:		
Corporation tax rate	25 %	25 %
<i>Tax effect of:</i>		
Amortisation of goodwill for tax purposes	-0.7 %	-1.0 %
Other tax adjustments	0.4 %	0.0 %
Effective tax rate	24.7 %	24.0 %
The tax asset is broken down as follows:		
Intangible assets	0.0	1.0
Other timing differences	0.0	0.0
Total tax asset	0.0	1.0

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

Notes

HNG Midt-Nord Handel A/S

Note 5. Fixed assets

DKK million

	Other fixtures & fittings, tools & equipment	Investments	Total fixed assets
Cost at 1 January 2009	0.7	6.9	7.6
Additions	0.6	0.0	0.6
Disposals	0.0	-1.3	-1.3
Cost at 31 December 2009	1.3	5.6	6.9
Depreciation at 1 January 2009	0.0	0.0	0.0
Depreciation	0.3	0.0	0.3
Depreciation at 31 December 2009	0.3	0.0	0.3
Carrying amount at 31 December 2009	1.0	5.6	6.6
Cost at 1 January 2008	0.0	5.3	5.3
Additions	0.7	16.3	17.0
Disposals	0.0	-14.7	-14.7
Cost at 31 December 2008	0.7	6.9	7.6
Depreciation at 1 January 2008	0.0	0.0	0.0
Depreciation	0.0	0.0	0.0
Depreciation at 31 December 2008	0.0	0.0	0.0
Carrying amount at 31 December 2008	0.7	6.9	7.6

Note 6. Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January 2009	10.0	152.0	162.0
Net profit for the year	0.0	116.5	116.5
Equity at 31 December 2009	10.0	268.5	278.5
Equity at 1 January 2008	10.0	11.1	21.1
Net profit for the year	0.0	140.9	140.9
Equity at 31 December 2008	10.0	152.0	162.0

The share capital consists of 10,000 shares of DKK 1,000 each. The shares have not been divided into shares.

HNG Midt-Nord Salg A/S has a commitment to HNG Midt-Nord Handel A/S to contribute subordinated loan capital of DKK 25 million.

Note 7. Other payables

	2009	2007
VAT and duties payable	29.7	12.2
Market value of derivatives to hedge purchase and sales contracts	135.9	625.8
Total other payables	165.6	638.0

Note 8. Derivative financial instruments

See the Management's Review, section about special risks, derivative financial instruments.

Notes

HNG Midt-Nord Handel A/S

HNG Midt-Nord Handel A/S

Note 9. Related parties

DKK million

HNG Midt-Nord Salg A/S has controlling influence.

HMN Naturgas I/S and the company's management have significant influence.

In 2009, HNG Midt-Nord Handel A/S requested various administrative services from HMN Naturgas I/S totalling DKK 15.9 million (2008: DKK 12.3 million).

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

Note 10. Shareholders

The company is owned by the following shareholder:

HNG Midt-Nord Salg A/S, Viborg, 100%

Note 11. Group structure

HNG Midt-Nord Handel A/S is included in the Consolidated Financial Statements of HNG Midt-Nord Salg A/S and the Consolidated Financial Statements of HMN Naturgas I/S

Note 12. Changes in working capital

	2009	2008
Changes in receivables and inventories	130.8	1.0
Changes in trade payables, etc.	-91.5	-23.6
Total changes in working capital	39.3	-22.7

Note 13. Purchase obligations and guarantees issued

The company has entered into binding agreements for the purchase of natural gas of totally DKK 1,333 million (2008: DKK 2,695 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 1,739 million (2008: DKK 2,146 million).

The purchase obligations have been undertaken jointly with or with guarantee from the parent company.

The company has received a parent company guarantee for binding purchase of natural gas for totally DKK 921 million (2008: DKK 538.1 million).

On behalf of HNG Midt-Nord Handel and the parent company HNG Midt-Nord Salg Nordea has provided guarantees totalling DKK 470.3 million (2008: DKK 400.4 million).

Note 14. Gas contracts and price derivatives

Sensitivity analysis of the financial portfolio - in case of a change in oil price and the US dollar rate of 10% - shows as follows:

As mentioned in Management's Review, section about Special risks, the company is exposed to gas price risks. The company hedges price and exchange-rate risks relating to binding agreements for future purchases and sale of gas with swaps and, to a limited extent, call and put options. The requirements concerning accounting hedging are not used. Price derivatives, which are based on oil prices, had a negative fair value as at 31.12.2009 of DKK 42.5 million (2008: DKK 52.7 million)..

Risk	Price change	Estimated effect on result	
		2009	2008
Change in oil price and US dollar rate	10%	38.7	10.4
Change in oil price and US dollar rate	-10%	-38.7	-10.4

Note 14. Accounting policies.

The Annual Report is presented in accordance with International Financial Reporting Standards as endorsed by the EU and additional Danish disclosure requirements concerning annual reports for reporting class C, cf. the Danish Executive Order on IFRS Adoption issued in pursuance of the Danish Financial Statements Act. The Annual Report also complies with IFRS issued by the International Accounting Standards Board (IASB). The Annual Report is the first annual report presented according to IFRS.

Changes in accounting policies in connection with transition to IFRS

On transition to IFRS, the IFRS 1 standard, First-time adoption of IFRS, has been used. In conformity with this standard, an opening IFRS balance sheet as at 1 January 2008 has been prepared, and the accounting figures for 2009 and comparative figures for 2008 have been prepared in accordance with the standards (IFRS/IAS) and interpretations (IFRIC/SIC) applicable as at the balance sheet date in the transition year, i.e. as at 31 December 2009.

The transition to financial reporting in accordance with IFRS has involved changes in accounting policies as regards recognition and measurement of purchase and sales contracts for gas in the Financial Statements:

Recognition and measurement of purchase and sales contracts for gas

So far the following agreements have been measured at fair value through the Income Statement:

- customer agreements comprising agreements with a price formula that differs from the list price and fixed-price agreements,

- binding sales and supply agreements at a fixed price,
- derivatives concluded for the purpose of hedging risks on such contracts.

According to IFRS the above agreements are recognised as follows:

- Customer contracts with an agreed price formula that differs from the list price are considered to incorporate a derivative financial instrument. This is to be separated and measured at fair value through the Income Statement.
- Oil and currency derivatives concluded for the purpose of hedging risks related to purchase and sale of gas are recognised at fair value through the Income Statement.
- Fixed-price agreements with customers are not recognised.
- Binding supply agreements at a fixed price have chiefly been concluded for own use and, therefore, are not recognised.

Other changes in connection with transition to IFRS

Apart from changes concerning recognition and measurement, presentation and classification of items have been changed for the following areas in the Financial Statements:

- Provisions have been divided into long-term and short-term liabilities.
- Derivative financial instruments related to natural gas hedging are presented gross. So far, these instruments have been presented net.

The changes have not affected recognition and measurement. The comparative figures have been adjusted according to the changed presentation.

Total effect of transition to IFRS in terms of amounts	DKK million		
	Equity 01.01.2008	Equity 31.12.2008	Result of 2008
The total effect of changes in terms of amounts may be specified as follows:			
Amounts according to previous accounting policies	125.9	162.0	75.7
Effect of changes in accounting policies			
Purchase and sales contracts	-104.8		65.2
Total effect of change in IFRS	-104.8	0.0	65.2
Amounts after IFRS	21.1	162.0	140.9
Statement of recognised income and costs			
Equity at 1 January 2008 adjusted		21.1	
Result, see above		140.9	
Total net income		140.9	
Equity at 31 December 2008		162.0	

Translation of foreign currency

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Assets, liabilities and other monetary items in foreign currency which have not been settled at the balance sheet date are translated at the exchange rate ruling at the balance sheet date. Exchange differences arising between the rate at the transaction date and the rate at the settlement date and the rate at the balance sheet date, respectively, are recognised in the Income Statement as net financials.

Derivative financial instruments

The HNG Midt-Nord Salg group uses derivative financial instruments for the purpose of hedging price risks in connection with purchase and sale of gas.

On initial recognition, the derivative financial instruments are measured at the fair value of the remuneration paid or received. Subsequent to initial recognition, the derivative financial instruments are measured at the 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 a recognised asset or a recognised liability, are recorded in the Income Statement together with change in the fair value of the asset or liability related to the hedged risk.

Changes in the fair value of derivative financial instruments not complying with the requirements for accounting hedging are recognised in the Income Statement. Changes in the fair value of derivatives concluded for the purpose of hedging price risks related to gas are recognised in operating income.

Income Statement*Revenue*

Revenue includes the sale of natural gas less discounts. Revenue is recognised in line with delivery of natural gas. Income from customers paying on account has been calculated for the period after the latest annual statement of account.

Other operating income

Other operating income comprises items of a secondary nature in relation to the company's activities, including value adjustment of financial instruments.

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 the parent company, 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 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 based on 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. Change 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 company is jointly taxed with the parent company. 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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Investments

Investments are measured at the amortised cost of contracts for operating leases of natural gas equipment with customers.

Inventories

Natural gas inventories are measured at cost, made up according to weighted average prices, or the net realisable value if this is lower. The net realisable value for inventories is computed as the expected selling price less costs to be defrayed to effect a sale.

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.

Price agreements with customers containing a price formula that differs from the list price are separated from the supply agreement and recognised as derivative financial instruments.

Other receivables and prepayments

Other receivables, including other financial receivables, are measured at amortised cost which is usually equal to the nominal value. Prepayments recognised under 'Assets' include expenses incurred concerning subsequent reporting periods. Prepayments are 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 at the balance sheet date. Provisions with an estimated due date more than one year from the balance sheet date will be measured at discounted present value. Change in the net present value will be included under net financials.

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 is usually equal to the nominal value.

Financial liabilities

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

Financial ratios

The financial ratios have been computed as follows:

$$\text{Gross margin} = \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Profit ratio} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Rate of return} = \frac{\text{Operating profit} \times 100}{\text{Balance sheet total}}$$

$$\text{Return on equity} = \frac{\text{Profit for the year} \times 100}{\text{Average equity}}$$

$$\text{Equity ratio} = \frac{\text{Equity} \times 100}{\text{Balance sheet total}}$$

New accounting standards not yet effective

At the time of the presentation of Annual Report 2009, IASB and IFRIC have published various new standards and interpretations which shall apply to financial years beginning after 31 December 2009. Therefore, these standards have not been applied in the preparation of this annual report.

The following standards and interpretations have been adopted by IASB and endorsed by the EU, but are not yet effective and therefore not yet implemented:

Amendment to IAS 27 "Consolidated and Parent Companies' Financial Statements"

The amendment implies that if an enterprise acquires or sells ownership interests in a subsidiary without losing control, the difference between the purchase price and the net asset value hereof must be recorded as an equity transaction.

Amendment to IAS 39 "Financial instruments: Recognition and Measurement"

According to the amendment, it is not possible to let the time value of an option reflect the hedged risk, and it is only possible to hedge the inflation element insofar as it is contractually specified.

IFRS 3 "Business Combinations"

The amendment to IFRS 3 concerns i.a. the following:

- Transaction costs are recognised in the Income Statement as incurred.
- Adjustments to contingent consideration are principally recognised in the Income Statement
- Possibility of recognising goodwill attached to non-controlling interests
- Existing relations between the buyer and the business acquired must now be recorded at fair value.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

Clarifies that dividend payable in non-cash assets are to be measured at fair value.

The new standards and interpretations are not expected to have a material impact on the results, equity or the disclosure level of future annual reports.

Note 16. Accounting estimates and judgements.

On recognition and measurement of items in the Financial Statements, it will in some cases be necessary to make estimates and assumptions on future events that affect the reported income and expenses in the financial period and the disclosure of contingent assets and liabilities as at the balance sheet date. Estimates and judgements are based on historical experience and other relevant factors which Management believes to be reasonable under the circumstances, but which inherently are uncertain and unpredictable. Thus, actual results could differ from those estimates.

The estimates and judgements and the underlying assumptions are regularly revised. Changes to the accounting estimates are recognised in the financial period in which the changes were made and in future financial periods if they are affected by the changes.

Estimates of material importance to the financial reporting are based on accruals for employee benefits, restoration obligations as well as valuation of derivative instruments not traded in an active market.

Valuation of derivative financial instruments not traded in an active market

HNG Midt-Nord Handel A/S hedges commodity and currency risks.

These hedging transactions relate to future income from sale – and costs in connection with purchase of natural gas. Besides, customer contracts include a price index which is treated as separate derivative financial instruments, see below.

The fair value of derivatives used to hedge commodity risks and derivatives incorporated in customer contracts is based on valuation models using prices derived from trades in markets that are less liquid than for instance interest markets. Thus, the valuation is subject to some uncertainty.

On 31 December 2009, the carrying amount of derivative financial instruments used to hedge commodity risks and derivatives incorporated in customer agreements totalled DKK 93.4 million under assets and DKK 135.9 million under liabilities. The corresponding amounts for 2008 were DKK 573.1 million under assets and DKK 625.8 million under liabilities.

Key Figures and Financial Ratios

HNG Midt-Nord Handel A/S

Finances (DKK million)	2009	2008	2007*	2006*	2005*
Revenue	2,895.6	3,122.0	2,107.2	2,268.2	432.6
Gross profit	166.5	112.6	84.8	15.2	-7.1
Other operating income	10.2	87.0	0.0	0.0	0.0
Other operating expenses	22.0	16.9	7.0	1.1	0.7
Net financials	3.4	2.7	4.5	0.2	8.5
Net profit for the year before tax	157.8	185.4	82.3	14.3	0.7
Trade receivables	230.4	256.4	245.9	40.6	63.5
Equity	278.5	162.0	125.9	43.4	29.1
Balance sheet total	831.7	1,379.0	726.1	446.1	157.6
Financial ratios (%)					
Gross margin	5.7	3.6	4.0	0.7	-1.6
Profit ratio	5.3	5.9	3.7	0.6	0.2
Rate of return	18.6	13.2	10.8	3.2	-5.0
Return on equity	52.9	31.7	97.2	39.4	2.5
Equity ratio	33.5	11.7	17.3	9.7	18.5
Statistics Million m3	2008	2008	2007	2006	2005
Sale own customers	537	595	369	208	183

* Key figures for 2005-2007 have not been adjusted to the new accounting policies.

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