GAS STORAGE DENMARK

OUR PRICE PHILOSOFY

Our basic price model is based on the value that our storage customer generates by injecting gas during periods of low demand and price, and withdrawing gas during periods of high demand and price. The revenues are commonly named as intrinsic and extrinsic.

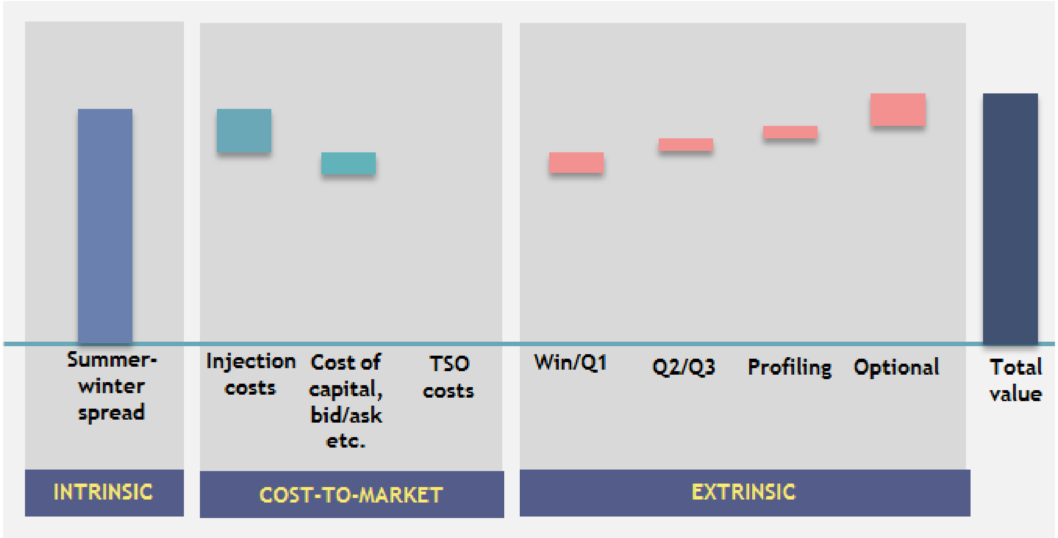
The driver of the intrinsic value is the spread between summer and winter prices. The spread can be observed, calculated and hedged at the time of valuation of the storage product we offer.

The extrinsic value refers to all other values that can be generated by the storage facility, but can only be observed and hedged to a certain extent at the time of valuation. The level of extrinsic value is a complex function of seasonal spreads, spot price spikes due to market dynamics and liquidity constraints.

- One blue column for intrinsic value calculated as summer/winter spread

- Three red columns for cost-to-market expenditures, covering variable injection cost, cost of capital and TSO tariffs (which are zero in Denmark). In the example, the cost-to-market is consequently deducted from the total price.

- Four blue columns for extrinsic value, covering the value generated due to market spreads in Q1 vs. winter, market spreads Q2 vs. Q3, profiling month to quarter and optional, e.g. spot spikes.



Pricing formula

Storage Capacity Value = Intrinsic + (Extrinsic – Cost-to-market),

The more flexible the storage product is, the more important the extrinsic value becomes.

Our valuation model is made up of unit prices for injection and withdrawal capacity calculated, based on the assumption that injection can be moved from the highest priced quarter to the lowest priced quarter, and withdrawal can be moved from the lowest priced month to the two highest priced months.

The calculation of unit prices for injection and withdrawal capacity is based on observed forward prices for month and quarters. In addition, extra flexibility will also provide an opportunity to take advantage of price movements between months within a quarter and days within a month, but this optional value goes to the customer.

The intrinsic value (summer/winter spread) can be calculated using a different range of pricing structures depending on preferences. For example:

- Fixed price, day-ahead

- Pricing over all bank days in Q1. The working-gas volume hedged each day by 1 divided by the number of bank days in Q1

- Pricing for more than (up to) 5 individual bank days in Q1. The 5 days are selected by Gas Storage Denmark on day-ahead basis. The working gas volume hedged by at least 1/5th on each day

The spread is calculated on the basis of quotations listed on the European gas hubs (TTF, NCG, Gaspool).