

23 February 2006

**Íslandsbanki hf.**  
**Issue of EUR 16,000,000 Equity Linked Notes linked to a Basket of Shares**  
**under the €15,000,000,000**  
**Global Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated 28th July, 2005 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") as supplemented by a Supplement dated 18th January, 2006, constituting a supplementary prospectus for the purposes of section 87G of the Financial Services and Markets Act 2000. . This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Offering Circular as supplemented by the Supplement. The Offering Circular is available for viewing at the office of the Issuer at Kirkjusandur 2, 155 Reykjavík, Iceland and copies may be obtained from the Principal Paying Agent at Trinity Tower, 9 Thomas More Street, London E1W 1YT.

- |   |   |
|---|---|
| 1. Issuer:  | Íslandsbanki hf.  |
| 2. (i) Series Number:                                     | 283   |
| (ii) Tranche Number:                                      | 1   |
| 3. Specified Currency or Currencies:                      | EUR   |
| 4. Aggregate Nominal Amount:                              |   |
| – Series:   | EUR 16,000,000  |
| – Tranche:  | EUR 16,000,000  |
| 5. Issue Price of Tranche:                                | 100 per cent. of the Aggregate Nominal Amount   |
| 6. Specified Denominations:                               | EUR 10,000  |
| 7. (i)  | Issue Date: 23 February 2006  |
| (ii) Interest Commencement Date :                         | Not Applicable  |
| 8. Maturity Date:   | 23 February 2011, subject to adjustment in accordance with the Modified Following Business Day Convention |
| 9. Interest Basis:  | Not Applicable  |
| 10. Redemption/Payment Basis:                             | See Annex 1   |
| 11. Change of Interest Basis or Redemption/Payment Basis: | Not Applicable  |
| 12. Put/Call Options:                                     | Not Applicable  |

- |                                       |                |
|---------------------------------------|----------------|
| 13. (i) Status of Notes:              | Senior         |
| (ii) Date Board approval for issuance | Not Applicable |
| 14. Method of distribution:           | Non-syndicated |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |   |                |
|---|----------------|
| 15. <b>Fixed Rate Note Provisions:</b>            | Not Applicable |
| 16. <b>Floating Rate Note Provisions</b>          | Not Applicable |
| 17. <b>Zero Coupon Note Provisions</b>            | Not Applicable |
| 18. <b>Index Linked Interest Note Provisions</b>  | Not Applicable |
| 19. <b>Dual Currency Interest Note Provisions</b> | Not Applicable |

**PROVISIONS RELATING TO REDEMPTION**

- |  |   |
|--|---|
| 20. Issuer Call  | Not Applicable  |
| 21. Investor Put   | Not Applicable  |
| 22. Final Redemption Amount of each Note:  | See Annex   |
| 23. Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)): | <p>In respect of each Note, an amount equal to the fair market value (less any reasonable cost to the Issuer of unwinding any related hedging arrangements) of such Note on such day as is selected by the Calculation Agent in is not more than 15 days before the date fixed the date fixed for redemption of the Note)</p> <p>For the avoidance doubt, no accrued interest shall be payable upon early redemption of the Notes for taxation reasons or on Event of Default</p> |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |   |  |
|---|--|
| 24. Form of Notes:  |  |
| Bearer Notes:   | <p>Applicable</p> <p>Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes</p> |
| Registered Notes:   | Not Applicable   |
| 25. Additional Financial Centre(s) or other special provisions relating to Payment Dates:   | Not Applicable   |
| 26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):   | Not Applicable   |
| 27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date <i>form of Temporary Global Note and/or</i> on which each payment is to be made and | Not Applicable   |

*Permanent Global Note may be required for consequences (if any) of failure to pay, including Partly Paid issues) any right of the Issuer to forfeit the Notes and interest due on late payment:*

- |   |                               |
|---|-------------------------------|
| 28. Details relating to Instalment Notes, including the amount of each instalment (each an “Instalment Amount”) and the date on which each payment is to be made (each an “Instalment Date”): | Not Applicable                |
| 29. Redenomination applicable:  | Redenomination not applicable |
| 30. Other final terms:  | See Annexes I and II          |

## **DISTRIBUTION**

- |  |   |
|--|---|
| 31. (i) If syndicated, names and addresses of Managers and underwriting commitments: | Not Applicable  |
| (ii) Date of Subscription Agreement:   | Not Applicable  |
| (iii) Stabilising Manager (if any):  | Not Applicable  |
| 32. If non-syndicated, name and address of relevant Dealer:                          | <p>Lehman Brothers International (Europe)</p> <p>25, Bank Street, London, E14 5LE, United Kingdom</p> |
| 33. Total commission and concession:   | Not Applicable  |
| 34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:       | TEFRA D   |
| 35. Additional selling restrictions:   |   |
| 36. ERISA Restrictions:  | Not Applicable  |

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: .....

*Duly authorised*

## **PART B – OTHER INFORMATION**

### **1. LISTING**

- |                            |   |
|----------------------------|---|
| (i) Listing:               | Luxembourg  |
| (ii) Admission to trading: | Application has been made for the Notes to be admitted to trading on Luxembourg Stock Exchange with effect from 23 <sup>rd</sup> February 2006. |

### **2. RATINGS**

Ratings: The Notes to be issued have been rated:

Moody's:	A1
Fitch:	A

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

Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

### **4. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- |                                 |                             |
|---------------------------------|-----------------------------|
| (i) Reasons for the Offer:      | General corporate purposes. |
| (ii) Estimated net proceeds:    | Not Applicable.             |
| (iii) Estimated total expenses: | Not Applicable.             |

### **5. YIELD**

Indication of yield: Not Applicable

### **6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

See Annex 1.

Details on historical levels of the Shares can be found on relevant Bloomberg Page as set out in the Annex.

The Issuer does not intend to provide post issuance information regarding the Shares.

### **7. OPERATIONAL INFORMATION**

- (i) ISIN Code: XS0245047278
- (ii) Common Code: 024504727
- (iii) CUSIP: Not Applicable
- (iv) Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): Valoren - CH2451667
- (v) Delivery: Delivery against payment
- (vi) Names and addresses of additional Paying Agent(s) and Transfer Agent(s) (if any): Not Applicable.

## ANNEX I

### 1. Final Redemption Amount of each Note

Unless previously redeemed or purchased and cancelled, and subject to the terms herein, each Note shall be redeemed on the Maturity Date at a Final Redemption Amount ("FRA") in the Specified Currency calculated in accordance with the following, as determined by the Calculation Agent:

$$\text{FRA} = \text{SD} \times \left( \sum_{i=1}^{20} (\text{Wi} \times \text{Final Price } i) - \text{Fixed Rate} \right)$$

*Where:*

"**Final Price i**" means, in relation to the Shares of each Basket Company, the weighted average execution price per Share at which the Hedging Party unwinds its hedge on or around the Valuation Time on the Valuation Date, as specified in the Annex II;

"**Fixed Rate**" means 3.75%;

"**SD**" means the Specified Denomination of a Note; and

"**Wi**" means, the weighting in relation to the Shares of each Basket Company as of the Valuation Date, as determined by the Calculation Agent. The weighting of the Shares of each Basket Company as of the Issue Date is specified in Annex II and is subject to adjustment by the Calculation Agent in accordance with the Dividend Reinvestment provision below.

### 2. Definitions

For the purposes of this Annex:

"**Basket**" means a basket of shares (each a "**Share**" and collectively the "**Shares**" which shall refer to any one or more of the shares included in the Basket, as the context requires) of twenty companies (each a "**Basket Company**") described in Annex II (or any Replacement Basket Company (as defined below) selected by the Calculation Agent in accordance with the terms of this Annex);

"**Calculation Agent**" means Lehman Brothers International (Europe);

"**Cancellation Amount**" means an amount in the Specified Currency:

- (i) determined by the Calculation Agent in its sole and absolute discretion acting in good faith and using Commercially Reasonable Procedures in order to produce a commercially reasonable result and determined as of the date that the Notes are cancelled or on the date on which one or more Basket Companies are removed from the Basket, or, if that would not be commercially reasonable, as

of the date or dates following the date that the Notes are cancelled or the date on which one or more Basket Companies are removed from the Basket, as would be commercially reasonable; and

- (ii) to be paid to the Noteholders following a cancellation or removal of one or more Basket Companies from the Basket, being the economic equivalent of (i) the material terms of the Notes, including the payments by the parties in respect of the Notes that would, but for the occurrence of the relevant Extraordinary Event, have been required on or after the date that the Notes are, or are deemed to have been, cancelled or on which one or more Basket Companies are, or are deemed to have been, removed from the Basket (assuming satisfaction of any applicable conditions precedent with respect to the Notes) and (ii) any option rights of the Noteholders in respect of the relevant Notes as the Calculation Agent may, in its sole and absolute discretion, consider to be relevant less (iii) the reasonable cost to the Issuer of unwinding any related hedging arrangements;

and where, in determining such amount, the Calculation Agent may in its sole and absolute discretion, consider any relevant information, including, without limitation, one or more of the following types of information:

- (a) quotations (either firm or indicative) supplied by one or more third parties that may take into account the current creditworthiness of the relevant Calculation Agent at the time the quotation is provided and the terms of any relevant documentation, including credit support documentation, between the Calculation Agent and the third party providing the quotation;
  - (b) information consisting of relevant market data in the relevant markets supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads correlation or other relevant market data in the relevant market; or
- (iii) information of the types described in (a) or (b) above from internal sources (including any affiliates of the Calculation Agent) if that information is of the same type used by the Calculation Agent in the regular course of its business for the valuation of similar transactions;

**"Commercially Reasonable Procedures"** means procedures which may include the following:

- (a) application of relevant market data from third parties or information from internal sources of pricing or other valuation models that are, at the time of determination of the Cancellation Amount, used by the Calculation Agent in the regular course of its business in pricing or valuing transactions between the Calculation Agent and unrelated third parties that are similar to the Notes; and
- (b) application of such valuation methods as is appropriate to the type, complexity or size of the transaction;

**"Disrupted Day"** means any Scheduled Trading Day on which the relevant Exchange or Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred;

**"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange or Related Exchange prior to its Scheduled Closing Time such earlier closing time is announced by such relevant Exchange or Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the relevant Exchange or Related Exchange on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the relevant Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day;

**"Exchange"** means, the exchange specified for the Shares for each Basket Company in Annex II, provided however that if any such exchange or quotation system ceases to list or otherwise include any of the Shares, the Calculation Agent will select another exchange or quotation system (if any) in relation to such Shares and **"Exchanges"** means, as the context requires, such stock exchanges or quotation systems in respect of all of the Shares;

**"Exchange Business Day"** means any Scheduled Trading Day on which the relevant Exchange and the relevant Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time;

**"Exchange Disruption"** means, in relation to the Shares of each Basket Company, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the relevant Shares on the relevant Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Shares on the relevant Related Exchange;

**"Extraordinary Dividend"** means a dividend or portion thereof characterised as such by the Calculation Agent;

**"Extraordinary Event"** means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting;

**"Hedging Party"** means the Issuer, any of its affiliates or any over-the-counter derivatives transaction counterparty in relation to any hedge transaction established in connection with the Notes;

**"Market Disruption Event"** means, in respect of the Shares of each Basket Company, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material and at any time during the one hour period that ends at the Valuation Time, or (iii) an Early Closure;

**"Related Exchange"** means, the related exchange specified for the Shares for each Basket Company in Annex II, or, in each case, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in



futures or options contracts relating to the Shares has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to the Shares on such temporary substitute exchange or quotation system as on the original Related Exchange);

**"Scheduled Closing Time"** means, in respect of the relevant Exchange or Related Exchange and any Scheduled Trading Day, the scheduled weekday closing time of such relevant Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

**"Scheduled Trading Day"** means any day on which the relevant Exchange and the Related Exchange are scheduled to be open for trading for their respective regular trading sessions;

**"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Valuation Date;

**"Trading Disruption"** means, in relation to the Shares of each Basket Company, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the relevant Shares on the relevant Exchange, or (ii) in futures or options contracts relating to the relevant Shares on the Related Exchange;

**"Valuation Date"** means, subject as provided in section 3 of this Annex (Disrupted Days), 16 February 2011, or if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day; and

**"Valuation Time"** means the official close of trading on the relevant Exchange.

all as calculated or determined, if necessary, by the Calculation Agent.

### 3. **Dividend Reinvestment**

#### 3.1 In relation to the Shares of each Basket Company and during Observation Period:

3.1.1 any Cash Dividend shall be synthetically reinvested in a number of Shares of the relevant Basket Company on or around the day on which such Cash Dividend is received by the Hedging Party and such number of Shares shall be added to the prevailing level of  $W_i$ ; and

3.1.2 any Scrip Dividend (expressed as a number of the relevant Shares) to the prevailing level of  $W_{\text{Within}}$ ;

each as determined by the Calculation Agent.

#### 3.2 In relation to this clause, the following definitions shall have the following meaning:

“**Cash Dividend**” means in relation to the Shares of each Basket Company and the Observation Period, the ordinary cash dividend per Share received by the Hedging Party during the Observation Period net of any withholding or other taxes at source that would be deducted by or on behalf of any applicable tax authority having power to tax in respect of such dividend (excluding (i) any imputation or other credits, refunds or deductions granted by any applicable tax authority having power to tax in respect of such dividend, (ii) any taxes, credits, refunds or benefits imposed, withheld, assessed or levied thereon and (iii) any extraordinary dividends) as determined by the Calculation Agent;

“**Observation Period**” means the period from and including the Trade Date to and including the Valuation Date;

“**Scrip Dividend**” means, in relation to the Shares of each Basket Company and the Observation Period, the ordinary scrip dividend per Share of the relevant Basket Company received by the Hedging Party as a holder of record of that relevant Share during the Observation Period as determined by the Calculation Agent; and

“**Trade Date**” means 14 February 2006.

4. **Disrupted Days**

If, in respect of the Shares of a Basket Company, the Valuation Date is a Disrupted Day, then the Valuation Date for the Shares of each Basket Company not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for the Shares of each Basket Company affected by the occurrence of a Disrupted Day (each, an “**Affected Share**”) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to such Affected Share, unless there is a Disrupted Day relating to such Affected Share on each of the three Scheduled Trading Days immediately following the Scheduled Valuation Date. In that case:

- (a) that third following Scheduled Trading Day shall be deemed to be the Valuation Date for such Affected Shares notwithstanding it is a Disrupted Day; and
- (b) the Calculation Agent shall determine its good faith estimate of the value for such Affected Share that would have prevailed but for that Disrupted Day as of the Valuation Time on that third following Scheduled Trading Day (and such good faith estimate shall be deemed to be the Closing Share Price of such Affected Share on the Valuation Date).

5. **Potential Adjustment Events and Extraordinary Event:**

- (A) **Definitions:** In this provision, the following terms will have the following meaning:
  - (i) “**Delisting**” means that the relevant Exchange announces that pursuant to the rules of such Exchange, the Shares of a Basket Company cease (or will cease) to be listed, traded or publicly quoted on the relevant Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted (i) in relation to any

Share which relevant Exchange is located in the United States of America, on the New York Stock Exchange, the American Stock Exchange or the NASDAQ NMS, (ii) in relation to any Share whose relevant Exchange is located in the European Union, on the London, Paris, Frankfurt, Milan, Amsterdam, Madrid, Copenhagen, Helsinki, Stockholm, Luxembourg, Vienna or Dublin Stock Exchanges and (iii) in relation to any Share whose relevant Exchange is located elsewhere, on an exchange or quotation system located in the same country as that relevant Exchange;

- (ii) **"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceedings affecting a Basket Company (i) all the Shares of a Basket Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of a Basket Company, become legally prohibited from transferring them;
- (iii) **"Merger Date"** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent;
- (iv) **"Merger Event"** means, as determined by the Calculation Agent in its sole discretion in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Basket Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries with or into another entity in which the Basket Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before the Valuation Date;
- (v) **"Nationalisation"** means that all the Shares or all or substantially all the assets of a Basket Company are nationalised, expropriated or are

otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

(vi) **"Potential Adjustment Event"** means any of the following:

- (1) a subdivision, consolidation or reclassification of Shares (unless resulting in a Merger Event) or, a free distribution or dividend of any Shares to existing holders by way of bonus, capitalisation or similar issue;
- (2) a distribution, issue or dividend to existing holders of the Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of a Basket Company equally or proportionately with such payments to holders of such Shares or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company as a result of a spin-off or other similar transaction, or (d) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
- (3) an Extraordinary Dividend;
- (4) a call by a Basket Company in respect of the relevant Shares which are not fully paid;
- (5) a repurchase by a Basket Company or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (6) in respect of a Basket Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Basket Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (7) any other event having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the Shares or of the composition of the Basket.

(vii) **"Tender Offer"** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the

right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding Shares of a Basket Company, as determined by the Calculation Agent, based upon the makings of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant;

(viii) "**Tender Offer Date**" means, in respect of a Tender Offer, the date on which Shares of a Basket Company in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

(B) **Potential Adjustment Events:** Following the declaration by a Basket Company of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares or on the composition of the Basket and, if so, the Calculation Agent in its sole and absolute discretion will determine in its sole and absolute discretion the appropriate adjustment(s), if any, to be made to the terms of the Conditions as the Calculation Agent determines appropriate to account for the Potential Adjustment Event and determine the effective date(s) of that adjustment(s) (including but not limited to adjustment(s) made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share). The Calculation Agent may (but need not) determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of the Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange.

(C) **Merger Event or Tender Offer:** In respect of each Merger Event or Tender Offer, the following terms have the meanings given below:

**Share-for-Share** means, (i) in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares and (ii) a Reverse Merger;

**Share-for-Other** means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists solely of Other Consideration;

**Share-for-Combined** means, in respect of a Merger Event or Tender Offer, that the consideration for the relevant Shares consists of Combined Consideration;

**New Shares** means ordinary or common shares, whether of the entity or person (other than the Basket Company) involved in the Merger Event or the making of the Tender Offer or a third party, that are, or that as of the Merger Date or Tender Offer Date are promptly scheduled to be, (A) publicly quoted, traded or listed (i) in relation to any Share which relevant Exchange is located in the United States of America, on the New York Stock Exchange, the American Stock Exchange or the NASDAQ NMS, (ii) in relation to any Share which relevant Exchange is located in the European Union, on the London, Paris,

Frankfurt, Milan, Amsterdam, Madrid, Copenhagen, Helsinki, Stockholm, Luxembourg, Vienna or Dublin Stock Exchanges and (iii) in relation to any Share which relevant Exchange is located elsewhere, on an exchange or quotation system located in the same country as that relevant Exchange and (B) not subject to any currency exchange controls, trading restrictions or other trading limitations;

**Other Consideration** means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Basket Company) involved in the Merger Event or the making of a Tender Offer or a third party); and

**Combined Consideration** means New Shares in combination with Other Consideration.

If a Merger Event occurs, the Calculation Agent will in its sole and absolute discretion take any of the actions described in (1) (2) (3) and/or (4) below, as applicable:

- (1) (a) in respect of each Share-for-Share Merger Event on or after the relevant Merger Date make such adjustment(s) the Calculation Agent acting in its sole discretion considers appropriate to reflect the number of New Shares to which a holder of one relevant Share immediately prior to the occurrence of the Merger Event would be entitled upon consummation of the Merger Event and the New Shares will be deemed to be the relevant Shares and the issuer thereof will be deemed the Basket Company, respectively, and, if necessary, the Calculation Agent will adjust any other relevant terms including but not limited to adjustment(s) to account solely for changes in volatility, expected dividends, stock loan or liquidity relevant to the Shares;
- (b) in respect of each Share-for-Other Merger Event on or after the relevant Merger Date, the amount of Other Consideration (as subsequently modified in accordance with any relevant terms and including the proceeds of any redemption, if applicable) to which a holder of one relevant Share would be entitled upon consummation of the Merger Event will be applied by the Calculation Agent to determine such adjustment(s) as it acting in its sole discretion considers appropriate in respect of such Share, and, if necessary, the Calculation Agent will adjust any other relevant terms including but not limited to adjustment(s) to account solely for changes in volatility, expected dividends, stock loan or liquidity relevant to the Shares; or
- (c) in respect of each Share-for-Combined Merger Event on or after the Merger Date, the number of New Shares and the amount of Other Consideration (as subsequently modified in accordance

with any relevant terms and including the proceeds of any redemption, if applicable) to which a holder of one of the relevant Shares would be entitled upon consummation of the Merger Event will be applied by the Calculation Agent to determine such adjustment(s) as it acting in its sole discretion considers appropriate with respect to the affected Shares and the Issuer of such New Shares and, if necessary, the Calculation Agent will adjust any other relevant terms including but not limited to adjustment(s) to account solely for changes in volatility, expected dividends, stock loan or liquidity relevant to the Shares;

- (2) if at any time the Calculation Agent determines that a Merger Event or Tender Offer has led, or would lead, to the merger, consolidation or any other combination of the Shares of two or more Basket Companies (a **"Basket Company Merger"**), the Calculation Agent will determine which original Basket Company or Basket Companies should cease to be treated as a Basket Company or Basket Companies for the purpose of these Conditions (each a **"Replaced Basket Company"**) and shall be entitled to select one or more new entities (as the case may be) (each a **"Replacement Basket Company"**) to be a Basket Company in place of the Replaced Basket Company or Basket Companies as of a date determined by the Calculation Agent (a **"Replacement Date"**). Any Replacement Basket Company will, to the extent practicable, be selected from the same industry, have shares denominated in the same currency and have a similar market capitalisation to the relevant Replaced Basket Company;
- (3) on or after the relevant Merger Date or Tender Offer Date (A) make such adjustment(s) to the exercise, interest, payment or any other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect of such Merger Event or Tender Offer (provided in the case of a Tender Offer, the Shares will not change) and (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Shares traded on such options exchange and (B) determine the effective date(s) of such adjustment(s); and/or
- (4) either:
  - (a) cancel the Notes in whole only and pay the Cancellation Amount (if any); or
  - (b) determine which original Basket Company or Basket Companies should cease to be treated as a Basket Company or Basket

Companies for the purpose of these Conditions and pay the Cancellation Amount (if any).

If a Merger Date or Tender Offer Date is scheduled to be after the Valuation Date, the Calculation Agent will determine, with respect to the theoretical value of the Notes, the economic effect of the announcement of a potential Merger Event or Tender Offer Event (including, without limitation, any change in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares) from the announcement date to such Valuation Date, as applicable. If such economic effect is material, the Calculation Agent shall (acting in its sole and absolute discretion) adjust the terms of the Conditions to reflect such economic effect.

(D) **Nationalisation and Insolvency:** If a Nationalisation or Insolvency occurs, the Calculation Agent shall, in its sole and absolute discretion take any of the actions described in (1) and/or (2) below:

(1) on a Nationalisation, acting in its sole and absolute discretion, either:

- (a) treat the affected Basket Company as a Replaced Basket Company and select a Replacement Basket Company in the manner specified in paragraph (C) (2) above; or
- (b) make such other adjustment(s) to the terms of the Conditions or such determination as the Calculation Agent, acting in its sole and absolute discretion, considers appropriate to account for the Nationalisation; and/or

(2) either:

- (a) cancel the Notes in whole only and pay the Cancellation Amount (if any); or
- (b) determine which original Basket Company or Basket Companies should cease to be treated as a Basket Company or Basket Companies for the purpose of these Conditions and pay the Cancellation Amount (if any).

(E) **Delisting:** If a Delisting occurs, the Calculation Agent shall, in its sole and absolute discretion, take either of the actions described in (1) or (2) below:

(1) treat the affected Basket Company as a Replaced Basket Company and select a Replacement Basket Company in the manner specified in (C) (2) above; or

(2) either:

cancel the Notes in whole only and pay the Cancellation Amount (if any);  
or



determine which original Basket Company or Basket Companies should cease to be treated as a Basket Company or Basket Companies for the purpose of these Conditions and pay the Cancellation Amount (if any).

- (F) ***Valuation of Shares of Replacement Basket Companies:*** In calculating the Early Redemption Amount or the Final Redemption Amount, as the case may be, the Strike Price for the Replacement Basket Company Share shall be deemed to be the product of (a) the Closing Price of the Replacement Basket Company Share on the relevant Replacement Date, and (b) the quotient of the relevant Strike Price for the Replaced Basket Company Share and the Closing Price for the Replaced Basket Company Share on the relevant Replacement Date (as adjusted by the Calculation Agent in its discretion to reflect the cost to the Issuer or any affiliate of replacing the affected Share and adjusting any associated hedging arrangements).

6. **Notification of Early Redemption, Final Redemption Amount, Disrupted Days, Potential Adjustment Events and Extraordinary Events.**

- (i) As soon as reasonably practicable after calculating or otherwise determining the Early Redemption Amount or the Final Redemption Amount, as the case may be, the Calculation Agent shall give notice of the relevant amount to the Issuer.
- (ii) The Calculation Agent shall as soon as reasonably practicable notify the Issuer of the existence or occurrence of a Disrupted Day on any day which but for such Disrupted Day would have been the Valuation Date.
- (iii) Upon the occurrence of a Potential Adjustment Event or Extraordinary Event, the Calculation Agent shall give notice as soon as practicable to the Issuer stating the occurrence of the Potential Adjustment Event, or Extraordinary Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.
- (iv) Adjustments in accordance with the foregoing sections shall be calculated by the Calculation Agent, shall be notified to the Noteholders in accordance with Condition 15 and shall be (in the absence of manifest error) binding on all parties concerned. However, Noteholders should be aware that there may be, necessarily, some delay between the time at which any of the above events occur and the time at which it is reported to Noteholders.

7. **The Calculation Agent**

The Calculation Agent shall act independently and not as an agent of the Issuer, the Guarantor or the Noteholders. All determinations made by the Calculation Agent hereunder shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive, and the Calculation Agent shall have no liability to the Issuer, the Guarantor, the Noteholders or any third party in relation to such determinations except in the case of its wilful default, or bad faith.

Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transaction, including without limitation any swap or hedging transactions with the Issuer, the Guarantor (or any of their respective affiliates) or any holder of the Notes (or any of its affiliates).

## Annex II

i	Share i	Bloomberg Ticker	Exchange	Related Exchange	CCY	Initial Price i	Wi
1	ABENGOA SA	ABG SQ	Madrid Stock Exchange	MEFF	EUR	18.03	0.00277316
2	AGCERT INTERNATIONAL	AGC LN	London Stock Exchange	LIFFE	GBp	230.4544	0.00021696
3	AREVA - CI	CEI FP	Paris Stock Exchange	MONEP	EUR	494.86	0.00010104
4	CENTROTEC SUSTAINABLE AG	CEV GY	XETRA	EUREX	EUR	29.7308	0.00168176
5	CERES POWER HOLDINGS PLC	CWR LN	London Stock Exchange	LIFFE	GBp	233.09	0.00021451
6	CLIMATE EXCHANGE PLC	CLE LN	London Stock Exchange	LIFFE	GBp	317.6722	0.00015739
7	CONERGY AG	CGY GY	XETRA	EUREX	EUR	120.4	0.00041528
8	E.ON AG	EOA GY	XETRA	EUREX	EUR	92.27	0.00054189
9	ELECTRICITE DE FRANCE	EDF FP	Paris Stock Exchange	MONEP	EUR	37.25	0.00134228
10	ENEL SPA	ENEL IM	Milan Stock Exchange	IDEM	EUR	6.88	0.00726744
11	GAMESA CORP TECNOLOGICA SA	GAM SQ	Madrid Stock Exchange	MEFF	EUR	13.69	0.0036523
12	MVV ENERGIE AG	MVV GY	XETRA	EUREX	EUR	20.99	0.00238209
13	NOVOZYMES A/S-B SHARES	NZYMB DC	Copenhagen Stock Exchange	Inapplicable	DKK	370.58	0.00013492
14	RWE AG	RWE GY	XETRA	EUREX	EUR	68.13	0.00073389
15	S.A.G SOLARSTROM AG	SAG GF	Frankfurt Stock Exchange	EUREX	EUR	7.92	0.00631313
16	SOLAR-FABRIK AG	SFX GY	XETRA	EUREX	EUR	13.4677	0.00371259
17	SOLON AG FUER SOLARTECHNIK	SOO1 GY	XETRA	EUREX	EUR	40.43	0.00123671
18	SUEZ SA	SZE FP	Paris Stock Exchange	MONEP	EUR	30.3	0.00165017
19	SUNWAYS AG	SWW GY	XETRA	EUREX	EUR	19.9	0.00251256
20	VESTAS WIND SYSTEMS A/S	VWS DC	Copenhagen Stock Exchange	Inapplicable	DKK	119.91	0.00041698