

GOLDMAN SACHS INTERNATIONAL

(Incorporated with unlimited liability in England)

Programme for the Issuance of Warrants and Certificates

in respect of which the payment
obligations of the Issuer are
guaranteed by

THE GOLDMAN SACHS GROUP, INC.

(A corporation organised under the laws of the State of Delaware)

Goldman Sachs International (the "**Issuer**") may from time to time issue warrants or other similar instruments (the "**Warrants**") and certificates or other similar instruments (the "**Certificates**") and together with the Warrants, the "**Securities**") under the programme (the "**Programme**") described in this base prospectus (as supplemented or replaced, the "**Base Prospectus**") upon the terms and conditions of the Securities described herein as supplemented, in the case of each issue of Securities, by a Final Terms (the "**Final Terms**") to this Base Prospectus (the "**Terms and Conditions**"). Securities of any series (a "**Series**") will, in the circumstances described in the relevant Final Terms, give the holder (a "**Holder**") thereof certain rights against the Issuer as described herein and in the relevant Final Terms, which rights may include the right to receive a cash amount from the Issuer calculated in accordance with the relevant Final Terms or the right to receive delivery of a specified asset or assets against payment of a specified sum, all as more particularly described in the relevant Final Terms.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**") for approval of this Base Prospectus and relevant implementing measures in Luxembourg, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Securities under the programme during the period of twelve months after the date hereof. This prospectus constitutes a Base Prospectus for the purpose of Article 5.4 of the Prospectus Directive. Application has also been made to the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") for Securities issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange (a regulated market for the purposes of Directive 93/22/EEC).

The payment obligations of the Issuer in respect of the Securities are guaranteed by The Goldman Sachs Group, Inc. (the "**Guarantor**") pursuant to a guarantee dated 12 March 2007 (as amended or supplemented, the "**Guarantee**").

This Base Prospectus replaces the Base Prospectus dated 13 January 2006 (as supplemented or replaced).

GOLDMAN SACHS INTERNATIONAL

The date of this Base Prospectus is 12 March 2007

Subject as set out below, the Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantor (who have taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Where information contained in this Base Prospectus has been sourced from a third party, this information has been accurately reproduced and so far as the Issuer and the Guarantor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Securities which are the subject of Final Terms (as defined herein) should be read and construed together with the relevant Final Terms. This Base Prospectus may only be used for the purposes for which it has been published.

Neither the Issuer nor the Guarantor intend to provide any post-issuance information or have authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Securities other than as contained or incorporated by reference in this Base Prospectus, in any other document prepared in connection with the Programme or any Final Terms or as expressly approved for such purpose by the Issuer or the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this Base Prospectus nor the delivery of any Final Terms shall, in any circumstances, create any implication that there has been no adverse change in the financial situation of the Issuer or the Guarantor since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently supplemented.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Guarantor to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and the distribution of this Base Prospectus, any Final Terms and other offering material relating to the Securities see "Selling Restrictions" below. In particular, the Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and trading in the Securities has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act. Securities may not be offered or sold within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S and the Securities Act) at any time, unless the Final Terms to a Security expressly provides otherwise in connection with an offering of the Security pursuant to Rule 144A under the Securities Act. The Securities will be exercisable by the Holder only upon certification as to non-U.S. beneficial ownership, unless the Final Terms relating to a Security expressly provides otherwise in connection with an offering of the Security pursuant to Rule 144A under the Securities Act.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action has been taken or will be taken to permit an offering of the Securities or the distribution of this Base Prospectus in any jurisdiction where any such action is required.

In this Base Prospectus references to "**U.S.\$**", "**US\$**", "**\$**", "**U.S. dollars**", "**dollars**" and "**cents**" are to the lawful currency of the United States of America and references to "**euro**" and "**EUR**"

are to the single currency introduced at the start of the third stage of European Economic Monetary Union pursuant to the Treaty establishing the European Communities, as amended.

Any other currency referred to in any Final Terms will have the meaning specified in the relevant Final Terms. Unless otherwise stated herein, all references to November 2006 refer to the Issuer's fiscal year ended, or the date, as the context requires, 24 November 2006.

TABLE OF CONTENTS

Summary of the Programme.....	6
Risk Factors.....	12
Documents Incorporated by Reference	25
General Description of the Programme.....	28
Terms and Conditions of the Securities	29
Use of Proceeds	79
Goldman Sachs International.....	80
Taxation.....	87
Selling Restrictions	90
Offers and Sales	93
General Information	94
ANNEX 1 The Issuer's Director's Report and Financial Statements for the year ended 24 November 2006	A-1-1
ANNEX 2 The Issuer's Director's Report and Financial Statements for the year ended 25 November 2005	A-2-1
ANNEX 3 Form of Final Terms (Wholesale Investors)	A-3-1
ANNEX 4 Form of Final Terms (Retail Investors).....	A-4-1
ANNEX 5 Deed of Guarantee	A-5-1

Issuer Information in the Financial Statements	24 November 2006 Financial Statements	25 November 2005 Financial Statements
Report of the Directors	pp. A-1-2 - A-1-8	pp. A-2-2 - A-2-4
Independent Auditors' Report	pp. A-1-9 - A-1-10	p. A-2-5
Profit and Loss Account	p. A-1-11	p. A-2-6
Statement of Total Recognised Gains and Losses	p. A-1-12	N/A
Balance Sheet	p. A-1-13	p. A-2-7
Notes to the Financial Statements	pp. A-1-14 - A-1-37	pp. A-2-8 - A-2-27

SUMMARY OF THE PROGRAMME

*The following summary (the "**Summary**") should be read as an introduction to the Base Prospectus and is qualified in its entirety by the more detailed information appearing elsewhere in the Base Prospectus. Any decision to invest in the Securities should be based on consideration of the Base Prospectus as a whole by the investor. Where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant EEA Member State, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches to the persons who are responsible for the Summary but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Terms used in this Summary but not defined have the meanings given to them in the Conditions.*

Issuer: Goldman Sachs International.

The Issuer is an English company formed on 2 June 1988 and is successor to a company formed in 1966. The Issuer was re-registered as a private unlimited liability company in England and Wales with the Registrar of Companies on 25 February 1994 (registration number 02263951), having previously been registered as a limited liability company under the name "Goldman Sachs International Limited". The registered office of the Issuer is Peterborough Court, 133 Fleet Street, London EC4A 2BB England, telephone number +44 20-7774-1000.

Goldman Sachs International is a leading international investment banking organisation. Its activities and sources of revenue include and are derived from securities underwriting and distribution; trading of corporate debt and equity securities, non-U.S. sovereign debt and mortgage securities; execution of swaps and derivative instruments; mergers and acquisitions; financial advisory services for restructurings, private placements and lease and project financings; real estate brokerage and finance; merchant banking and stock brokerage and research. Services are provided worldwide to a substantial and diversified client base which includes corporations, financial institutions, governments and individual investors.

Guarantor: The Goldman Sachs Group, Inc.

The Goldman Sachs Group, Inc., together with its consolidated subsidiaries ("**Goldman Sachs**"), is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Its headquarters are located at 85 Broad Street, New York, NY 10004, U.S.A., telephone +1 (212) 902-1000.

Goldman Sachs' activities are divided into three segments:

- (1) Investment Banking: Goldman Sachs provides a broad range of investment banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.
- (2) Trading and Principal Investments: Goldman Sachs facilitates

client transactions with a diverse group of corporations, financial institutions, investment funds, governments and individuals and takes proprietary positions through market making in, trading of and investing in fixed income and equity products, currencies, commodities and derivatives on these products. In addition, Goldman Sachs engages in specialist and market making activities on equities and options exchanges and clears client transactions on major stock, options and futures exchanges worldwide. In connection with its investment banking and other investment activities, Goldman Sachs makes principal investments directly and through funds that the firm raises and manages.

- (3) Asset Management and Securities Services: Goldman Sachs provides investment advisory and financial planning services and offers investment products (primarily through separate accounts and funds) to a diverse group of institutions and individuals worldwide, and provides prime brokerage services, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and to high-net-worth individuals worldwide.

Principal Programme Agent: Citigroup Global Markets Deutschland AG & Co. KGaA.

Registrar: Goldman Sachs Japan Co., Ltd.

Programme Agent: Dexia Banque Internationale à Luxembourg, société anonyme.

Swedish Programme Agent: Skandinaviska Enskilda Banken AB (publ).

London Authentication Agent: Citibank, N.A., London Branch.

Calculation Agent: Goldman Sachs International.

Method of Issue: The Securities will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches (each, a "**Tranche**") issued on the same or different issue dates. Each Tranche may be issued pursuant to this Base Prospectus and associated Final Terms prepared in connection with a particular Tranche of Securities.

For a Tranche of Securities which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement the terms and conditions (the "**Terms**") of the Securities as set forth in the general conditions (the "**Conditions**") described in this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to a particular Tranche of Securities which is the subject of Final Terms are the Conditions of the Securities as

	supplemented or replaced to the extent described in the relevant Final Terms.
Issue Price:	Securities may be issued at any issue price. The issue price will be specified in the relevant Final Terms.
Status of the Securities:	The Securities will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves.
Form and Transfer of Securities:	<p>Each Tranche of Securities (other than VPC Registered Securities, as defined below), will at all times be represented by a global warrant or a global certificate (in either form, the "Global Security") deposited on the issue date (the "Issue Date") specified in the relevant Final Terms with, in the case of Securities held in a Clearing System (other than the VPC System, each as defined below), a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg" and, together with Euroclear, the VPC System, the "Clearing Systems" and each a "Clearing System") or, in the case of Non-Cleared Securities, the Registrar. VPC Registered Securities, will be constituted by a deed of covenant dated 12 March 2007 and will be issued in registered, uncertificated and dematerialised form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act"). Securities in definitive form will not be issued.</p> <p>Transfers of Securities which are held in a Clearing System (other than the VPC System) may be effected only through the Clearing System(s) in which the Securities to be transferred are held. Title will pass upon registration of the transfer in the books of the relevant Clearing System(s). Transfers of title in VPC Registered Securities will be effected only in accordance with the SFIA Act. Transfers of Non-Cleared Securities, may be effected only through the Registrar by delivery in writing to the Registrar of a duly completed Transfer Certificate (as defined in Condition 3.1). Title will pass upon registration of the transfer in the Register.</p>
Exercise of Securities:	<p>As set out in the relevant Final Terms each Series of Securities will entitle the Holder to receive a cash amount ("Cash Settlement" or "Cash Settlement Amount") or physical delivery of the Valuation Assets ("Physical Settlement" or "Physical Settlement Amount") from the Issuer or, as the case may be, the Guarantor calculated in accordance with the relevant Terms.</p> <p>The Securities create options exercisable by the relevant Holder. There is no obligation upon any Holder to exercise his Securities nor, in the absence of such exercise and save as provided in Condition 3.9, any obligation on the Issuer or, as the case may be, the Guarantor to pay any amount in respect of the Securities. Upon exercise of any Securities, the Holders will be required to certify that the Securities are not being exercised by or on behalf of a U.S. person or person within the United States and that the Securities are not beneficially owned by a U.S. person or person within the United States.</p>

The Issuer will have the option in the relevant Final Terms to specify a maximum number of Securities exercisable on any date. In the event that the total number of Securities being exercised on any date exceeds such maximum number, a Holder may not be able to exercise on such date all Securities that such Holder wants to exercise. Securities to be exercised on such date will be selected at the discretion of the Issuer and, unless otherwise specified in the applicable Final Terms the Securities tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Securities may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

If so indicated in the applicable Final Terms a Holder must exercise a specified minimum number (and integral multiples thereafter) of Securities at any one time. Thus, Holders with fewer than the specified minimum number of Securities or specified multiples thereof will have to sell their Securities or purchase additional Securities in order to realise their investment. Furthermore, such Holders incur the risk that there may be differences between the trading price of such Securities and the Settlement Amount of such Securities.

In the case of any exercise of Securities, there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Cash Settlement or Physical Settlement, as the case may be, relating to such exercise is determined. The value of the Valuation Assets may change significantly during any such period, and any such change in value of the Valuation Assets could decrease the Cash Settlement or Physical Settlement, as the case may be, in respect of the Securities being exercised and may result in such Cash Settlement or Physical Settlement, as the case may be, being zero.

- Guarantee:** The due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities issued by the Issuer are unconditionally and irrevocably guaranteed by the Guarantor pursuant to a deed of guarantee dated 12 March 2007.
- Illegality:** If the Issuer determines that its performance under any Securities has become unlawful or impractical in whole or in part for any reason, the Issuer may cancel such Securities and, if permitted by applicable law, pay the Holder of each such Securities an amount equal to the fair market value of such Securities notwithstanding such illegality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.
- Disruption Events:** If the Calculation Agent determines that a Physical Settlement Disruption Event, Additional Disruption Event, FX Disruption Event or Market Disruption Event has occurred, any consequential postponement of or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.
- Taxation:** Unless otherwise set out in the relevant Final Terms Holders will be liable for any taxes, including withholding tax, arising in connection with the Securities.

Listing and Admission to Trading:	<p>If so specified in the applicable Final Terms application may be made for Securities issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. Securities may also be listed on any other stock exchange or may be unlisted. The relevant Final Terms in respect of any Series of Securities will specify the exchange, if any, on which such Securities will be listed. The Issuer is under no obligation to maintain a listing of the Securities.</p>
Governing Law:	<p>The Securities will be created under and governed by English Law.</p>
Selling Restrictions:	<p>There are restrictions on the sale of Securities and the distribution of the offering material in certain jurisdictions, including the United States (see "Selling Restrictions" below). Further restrictions, including restrictions on transfer, may be required in connection with any particular Tranche of Securities and will be set out in the relevant Final Terms.</p>
Risk Factors:	<p>By purchasing Securities, a purchaser implicitly represents to the Issuer and, if applicable, the Guarantor that, and is willing to assume that, the complexity and risks inherent in the Securities are suitable for its objectives. No person should deal in the Securities unless that person understands the nature of the relevant transaction and the extent of that person's exposure to potential loss. Prospective purchasers of Securities should be experienced with respect to options and options transactions, should understand the risks of transactions involving the relevant Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Securities in the light of their particular financial circumstances, all information set forth herein, the information regarding the relevant Securities set out in the applicable Final Terms and the particular Valuation Asset to which the value of the relevant Securities may relate.</p> <p>Prospective purchasers of Securities should consult their own legal, tax, accountancy and other professional advisers to assist them in determining the suitability of the Securities for them as an investment or if they are in any doubt about the contents of this Base Prospectus.</p> <p>Transactions in off-exchange Securities may involve greater risks than dealings in exchange-traded Securities.</p> <p>For a more detailed description of the risks the Securities may entail see "Risk Factors" below.</p> <p>The Issuer is part of The Goldman Sachs Group, Inc. and may be affected by uncertain or unfavourable economic, market, legal and other conditions that are likely to affect The Goldman Sachs Group, Inc. as a whole, including its ability to perform its payment obligations as Guarantor. The risks relating to The Goldman Sachs Group, Inc. as a whole have been incorporated by reference and can be found on pages 20-29 in "Risk Factors" in Part I, Item 1A of the Guarantor's Form 10-K.</p>

**Potential
conflicts of
interest:**

Certain affiliates of the Issuer and the Guarantor may from time to time advise the issuers of Valuation Assets regarding transactions to be entered into by them, or engage in transactions involving one or more Valuation Assets for their proprietary accounts and for other accounts under their management. Any such transactions may have a positive or negative effect on the value of such Valuation Assets and therefore on the value of the Securities to which they relate. Certain affiliates of the Issuer and the Guarantor may also be the counterparty to the hedge of the Issuer's and, if applicable, the Guarantor's obligations in respect of any Tranche of Securities. Accordingly, certain conflicts of interest may arise both among these affiliates and between the interests of these affiliates and the interests of Holders.

RISK FACTORS

The following is a list of risk factors that are considered to be relevant to the Securities and the Issuer:

1. Risks Relating to the Securities

By purchasing Securities, a purchaser implicitly represents and warrants to the Issuer and the Guarantor that, and is willing to assume that, the complexity and risks inherent in the Securities are suitable for its objectives.

No person should deal in the Securities unless that person understands the nature of the relevant transaction and the extent of that person's exposure to potential loss. Each prospective purchaser of Securities should consider carefully whether the Securities are suitable for it in the light of its circumstances and financial position.

Prospective purchasers of Securities should consult their own legal, tax, accountancy and other professional advisers to assist them in determining the suitability of the Securities for them as an investment or if they are in any doubt about the contents of this Base Prospectus (including, for the avoidance of doubt, each document incorporated by reference herein).

Transactions in off-exchange Securities may involve greater risks than dealing in exchange-traded Securities.

The market for the Securities may be limited and this may adversely impact their value or the ability of a Holder to dispose of them. Neither the Issuer nor the Guarantor has given, and does not give, to any prospective purchaser of Securities (either directly or indirectly) any assurance or guarantee as to the merits or performance of the Securities and is under no obligation and makes no commitment to make a market in or to repurchase the Securities.

Securities can be volatile instruments and may involve the risk of expiring worthless. Loss scenarios vary with the features of different types of Securities. Under certain circumstances, even a total loss of capital invested plus related transaction costs is possible. Securities are subject to a number of risks, which may include, among other things, (i) sudden and large falls in value, (ii) changes in the price or market value of the Valuation Assets (as defined below) and/or changes in the circumstances of the issuer of the Valuation Assets, (iii) changes in the rates of exchange of any of the currencies in which the Valuation Assets are denominated, and (iv) a complete or partial loss of the investment in the Securities. It should be remembered that the price of securities and the income from them can go down as well as up.

The Valuation Assets (as defined below) will not be held by the Issuer for the benefit of the Holders.

The Securities involve a high degree of risk, which may include interest rate, corporate, market, foreign exchange, time value and/or political risks. Prospective purchasers of Securities should recognise that their Securities may expire worthless and, therefore, purchasers should be prepared to sustain a total loss of the purchase price of their Securities. This risk reflects the nature of a Security as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires. See "Certain Factors Affecting the Value and Trading Price of Securities" below. Assuming all other factors are held constant and provided no capital protection is built

into the terms of the Securities as set out in the relevant Final Terms, the more a Security is "out-of-the-money" and the shorter its remaining term to expiration, the greater the risk that purchasers of such Securities will lose all or part of their investment.

The risk of the loss of some or all of the purchase price of a Security together with any transaction costs incurred means that, in order to recover and realise a return upon his/her investment, a purchaser of a Security must generally have correctly anticipated the direction, timing and magnitude of an anticipated change in the value of the relevant share (or basket of shares), debt security (or basket of debt securities), index (or basket of indices), currency (or basket of currencies), interest rates, commodity (or basket of commodities) or other basis which may be specified in the relevant Final Terms (the "**Valuation Assets**" and each a "**Valuation Asset**"). Where the Final Terms of any Securities provide for payment of Interest Amount(s), any decrease in value of a Security may not be offset by recurring income from the Security. With respect to European Style Securities, the only means through which a Holder can realise value (other than any interest payable in respect of such Securities) from a Security prior to the Exercise Date in relation to such Security is to sell it at its then market price in a secondary market (if available). See "Possible Illiquidity of the Secondary Market" below.

Fluctuations in the price of the relevant Valuation Assets will affect the value of the Securities. Depending on the character of the particular markets on which the Valuation Assets are traded, the absence of last sale information and the limited availability of quotations for such Valuation Assets may make it difficult for many investors to obtain timely, accurate data for the price or yield of such Valuation Assets. Purchasers of Securities may risk losing their entire investment if the value of the relevant Valuation Assets does not move in the anticipated direction.

Investors who intend to convert gains or losses from the exercise or sale of the Securities into their home currency may be affected by fluctuations in exchange rates between their home currency and the relevant currency in which the Settlement Amount is denominated. The value of any Valuation Asset may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency (or basket of currencies) or to raise or lower interest rates, regardless of other market forces.

If additional warrants or options relating to a particular Valuation Asset are subsequently offered to the public, the supply of warrants and options relating to such Valuation Asset in the market will increase, which could cause the price at which the Securities and such other warrants and options which trade in the secondary market to decline significantly.

Prospective purchasers of Securities should be experienced with respect to options and options transactions, should understand the risks of transactions involving the relevant Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Securities in the light of their particular financial circumstances, the information set forth in this Base Prospectus (including, for the avoidance of doubt, information incorporated by reference herein) and in the relevant Final Terms.

2. Types of Securities and Associated Risks

Warrants

Warrants (standard warrants, knock-out warrants and similar products) are transferable derivative financial instruments. Price changes (or even an absence of an expected price

change) of the relevant Valuation Assets can devalue a Warrant over-proportionately until it is valueless. Due to the limited period of time to maturity, the price of Warrants may not recover. In this case, partial or total loss of the capital invested plus related transaction costs is possible. This risk exists independently of the financial performance of the Issuer and the Guarantor.

Certificates

Certificates are transferable securities that give investors the opportunity to participate in the performance of a Valuation Asset without actually needing to acquire that Valuation Asset. Valuation Assets for Certificates include shares, or securities representing shares, indices, commodities, foreign exchange rates, bonds, futures contracts, shares in investment funds and interest rates in addition to baskets composed of these Valuation Assets.

3. Value of the Valuation Assets

Securities can give their Holders the right to receive payments of Settlement Amounts and/or Interest Amounts.

The calculation of any Settlement Amount is normally, and the calculation of any Interest Amount may be, dependent on the performance of the Valuation Asset during the life of the relevant Securities. There are two ways to calculate the performance of a Valuation Asset:

- the European calculation of performance is made by calculating the difference in the Valuation Asset's price between a start date and a date certain at some time in the future; or
- the Asian calculation of performance is made with reference to the average of the Valuation Asset's price as quoted on regularly occurring reference dates. Unlike the European method, performance is only partially determined by any one of the Valuation Asset's respective prices at a particular point in time (the reference date, normally referred to as an "averaging date"). Even if the Valuation Asset's price on the relevant Valuation Date is higher than its price on the specified Strike Date or other date, the performance can be negative and the Settlement Amount can be lower than the Issue Price.

4. Maturities of Securities (Fixed Maturities/Open End)

Maturities of Securities can be either fixed or open ended.

Fixed Maturity Securities

The life of a Security is the period between the Issue Date and the Exercise Date. The relevant Final Terms may set out specific dates for when Securities may be exercised or may contain provisions by reference to which the Exercise Date will be determined by the Calculation Agent. The life of Securities may end automatically and the Settlement Amount is payable within a specified number of Business Days of the Exercise Date (as defined in the Conditions).

Open End Securities

Open End Securities do not have a maturity that is specified in advance. Notwithstanding Condition 26, for this reason the Securities may be either terminated by the Issuer and

made due for payment at termination dates that are determined in advance or may be terminated by being exercised by its Holder. The date for determining the Settlement Amount of the underlying Valuation Assets corresponds to the respective termination date or another specified date.

In a scenario where a Valuation Asset has decreased in value, it is not possible to rely on the Valuation Asset recovering its lost value prior to the end of the notice period. The Issuer may exercise its call rights at its own discretion and is not bound by any conditions limiting its ability to exercise the call.

5. **Securities with Additional Features**

Securities with the features described below that determine the calculation of their Settlement Amount have a different risk profile. Different types of additional features are described below.

Certificates with Maximum Settlement Amounts (Caps)

The maximum earnings potential of Certificates with caps is limited and, in particular, may not reflect the earnings potential of a direct investment in the Valuation Asset. Certificates issued with reverse structures also have a limited maximum earnings potential as (subject to a participation rate in excess of 100%), the fall in the Valuation Asset cannot exceed 100% of its initial value.

Certificates with Unconditional Minimum Redemption

In the case of Certificates with an unconditional minimum redemption ("**Unconditional Minimum Redemption**"), the minimum Settlement Amount will correspond to the calculation basis (i.e. the nominal amount, strike price or closing value) multiplied by a minimum redemption factor. The risk of loss for Certificates with unconditional minimum redemption is limited to the difference between the capital invested to purchase the Certificates (including the Issue Price and the related transaction costs) and the protection level expressed as a percentage. The Holders of these Certificates, however, are still exposed to credit risk on the Issuer and Guarantor so that the capital invested to purchase the Certificates (plus related transaction costs) could still be lost in the event of insolvency of the Issuer and Guarantor. This is one of the reasons that the Certificates can be traded during their life at prices which are below their minimum guaranteed Settlement Amount. Holders cannot, therefore, rely on their ability to sell the Certificates during their life at their minimum guaranteed Settlement Amount.

Certificates with Conditional Minimum Redemption

In the case of Certificates with a conditional minimum redemption ("**Conditional Minimum Redemption**"), the minimum Settlement Amount will correspond to the calculation basis (i.e. the nominal amount, strike price or closing value) multiplied by a minimum redemption factor and may vary depending on the value of the underlying Valuation Assets during the life of the Certificates or on a specified date and the stated minimum redemption may apply only provided that the price or value of the Valuation Asset remains within a certain range or develops as stipulated in the relevant Final Terms. This range can be defined with reference to the performance of the Valuation Asset's price or value during a certain specified observation period (an "**Observation Period**") or the price or value of the Valuation Asset on a certain date as compared to a barrier (a "**Barrier**") that was stipulated in the relevant Final Terms. If the price or value of the Valuation Asset either exceeds or falls short of that barrier during the

predetermined period or at a predetermined time, and the minimum redemption is cancelled or, conversely, if such event does not occur and minimum redemption is not triggered as a consequence, the investor is exposed to the risk of total loss of their investment.

In this connection, it should also be noted that the Issuer, the Guarantor and their respective affiliates, as part of their normal operations or in order to hedge risks arising in connection with positions created by the Certificates issued, may trade in the Valuation Asset or in financial instruments based on that same Valuation Asset and that, in particularly adverse conditions (e.g. low liquidity of the Valuation Asset), such trading can result in the activation or avoidance of the trigger mechanism described above.

After the condition has occurred or where a condition is highly likely to occur, the tax treatment of Certificates may change. Any and all statements made in this Base Prospectus concerning the tax treatment of the Certificates exclusively relate to the purchase of the Certificates immediately after their issue (initial purchase). If an investor should purchase the Certificates after such a condition has occurred they should first consult a tax consultant concerning the tax consequences of the purchase, holding, exercise or sale of the Certificates.

Participation Certificates

Certificates may apply a participation rate, which is specified in the relevant Final Terms and may be expressed as a percentage, to the performance of the Valuation Asset for the purposes of calculating the Holders' participation in the Valuation Asset's performance. The relevant Final Terms may stipulate two different participation rates depending on whether the Valuation Asset's performance is a gain (upside participation rate) or a loss (downside participation rate). A participation rate that is not 100% can have the effect that, subject to further features that influence the value of such Certificates, investors' gains can be less than proportional to those of the Valuation Asset or losses more than proportional to those of the Valuation Asset.

In the case of Certificates with reverse structures the upside participation rate would apply to losses and the downside participation rate would apply to gains. In the case of Certificates with reverse structures, the price performance of the Certificates exhibits a negative correlation with the performance of the underlying Valuation Asset. This means, for example, that the price of Certificates (not taking into account other features and factors that are significant for determining the price of Certificates) will fall if the Valuation Asset price increases or will increase if the Valuation Asset price falls. As a result, there may be a total loss of the capital invested if the Valuation Asset price increases accordingly. Furthermore, the maximum earnings potential is in principle limited as the fall in the Valuation Asset cannot be more than 100%.

Securities with Hedging Fees

The relevant Final Terms may require that a hedging fee be applied in an amount specified by such Final Terms. The hedging fee covers the expenses of the Issuer or its affiliates incurred as a result of capital market transactions related to the Valuation Asset in order to hedge against the settlement risk arising from the issuance of Securities.

It should be noted that hedging fees do not only have the effect of reducing the Settlement Amount, if any, that may be payable by the Issuer but also reduce the value of the Securities on secondary markets prior to their Exercise Date. Such hedging fees will be factored into bid and offer prices quoted on the secondary markets for the

Securities on a pro-rata basis in accordance with the time that has lapsed since the Issue Date of the Securities. The relevant Final Terms may give the Issuer the right to adjust the amount of the hedging fee at any time during the life of the Securities.

6. Certificates that pay Interest

Certificates may grant a claim to a fixed or variable interest amount, if it is expressly stipulated. In the case of a variable interest rate the level of the interest rates or interest amounts is calculated on the basis of the price performance of a reference interest rate or another Valuation Asset.

When investing in Certificates with variable rates of interest investors should be aware that unless a minimum interest rate is applicable, the interest payments to be made by the Issuer may be reduced to zero for one or more interest periods. In addition, the variable interest rate (or variable interest amount) to be determined for each interest period may be limited (maximum interest rate) or tied to a particular condition. Depending on the performance of the respective reference interest rate or Valuation Asset investors may not get any interest at all or only a minimum interest rate, depending on the features of the Certificates. If a maximum interest rate is applicable, the investors will no longer participate in further positive performances of the reference interest rate or Valuation Asset once the performance of this interest rate or Valuation Asset exceeds a certain level.

If a maximum interest amount is applicable then once this is achieved this will either trigger an early settlement of the Certificates or the interest rate applied to the Certificates for all remaining interest periods shall be 0% or shall correspond to a minimum interest rate regardless of the performance of the reference interest rate or Valuation Asset. In the case of early settlement the investors shall receive the Settlement Amount plus any interest that has accrued for the interest period in question, but will not be entitled to any further payments of interest.

7. Determining the price of the Securities

The price of Securities is determined on the basis of a number of factors. In addition to the life of the Securities, the Settlement Amount and the level of any Interest that may be payable, which may both depend on the performance of the Valuation Asset, other factors include the credit-worthiness of the Issuer and the Guarantor.

The Securities can be traded on a stock exchange or over-the-counter during their lifetime. Unlike most other Securities, the price of the Securities is not determined according to normal principles of supply and demand since the intention in the case of certain Securities, and only where indicated in the applicable Final Terms, is that the Issuer or an affiliate in its function as market maker should quote individually calculated bid and offer prices for the Securities on the secondary market. This price calculation will be carried out according to the price calculation models usually used in the market, whereby the theoretical value of the Securities shall be determined based on the value of the Valuation Asset and the value of the other features of the Securities (which in each case can be represented in economic terms by a further derivative financial instrument).

Accordingly, changes in the price of the Valuation Asset (or situations where an expected price change does not occur) can disproportionately reduce the value of a Security until it is worthless. In particular, in the case of fixed maturity Securities it is not possible to assume that the price of the Security will recover in time in view of the limited life of the Securities. There is accordingly the risk of losing **some or all of the capital**

invested including the related transaction costs. This risk exists regardless of the financial strength of the Issuer and the Guarantor.

8. Securities related to Baskets

If the Securities relate to a basket consisting of one or more components, the Issuer and/or the Calculation Agent may, subject to the relevant Final Terms, have the right, in certain circumstances, to adjust the composition of the Basket after issuing the Securities. If the Issuer has such a right investors may not assume that the composition of the basket will remain constant during the life of the Securities. Depending on the features of the relevant Security, there could be a significant effect on the determination of the Settlement Amount or interest amounts in respect of such Securities if the performance of a basket component or type of basket components has declined significantly.

Generally, the value of a basket that includes Valuation Assets from a number of companies or obligors or which gives relatively equal weight to each Valuation Asset will be less affected by changes in the value of any particular Valuation Asset included therein than a basket that includes fewer Valuation Assets or that gives greater weight to some Valuation Assets. In addition, if the Valuation Assets included in a basket are all in or relate to a particular industry, the value of such a basket will be more affected by the economic, financial and other factors affecting that industry than if the Valuation Assets included in the basket relate to various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

9. Securities Referencing Rolling Futures Contracts as Valuation Assets

General

Futures or forward contracts are standardised forward contracts relating to financial instruments (e.g. equities, indices, interest rates or currencies) - so-called financial futures - or commodities (e.g. precious metals, wheat, sugar) - so-called commodities futures.

A futures contract represents a contractual obligation to buy or sell a fixed amount of the underlying commodity or financial instrument on a fixed date at an agreed price. Futures contracts are traded on futures exchanges and are, consequently, standardised with respect to contract amount, type, and quality of the underlying Valuation Asset, in addition to delivery locations and dates. There is normally a close correlation between the movements in the price of the underlying Valuation Asset for the relevant futures contract on the spot market and prices quoted in the relevant futures markets. Futures, however, are normally traded at a discount or premium to the spot prices of their underlying Valuation Asset.

This "basis", as traders call the difference between the spot and futures prices, is, on the one hand, due to adjusting the spot price by related expenses (warehousing, transport, insurance, etc.) and income (interest, dividends, etc.) and on the other to different methods used to evaluate general factors affecting the spot and the futures markets. In addition, depending on the relevant underlying Valuation Assets, there can be significant differences in the liquidity of the futures and the spot markets.

Since the value of any Securities referencing a futures contract will correlate to the value of such futures contract, it is necessary to understand how futures transactions work and

are valued in addition to knowing the market for the relevant futures contracts in order to properly evaluate the risks inherent in purchasing such Securities.

Rollover

Since the futures contracts underlying Securities always have a fixed expiry date, the Issuer will, at a date specified in the relevant Final Terms, replace the original and subsequent Valuation Asset futures contracts with a corresponding futures contract which has contract specifications identical to the original futures contract except for an expiry date, which for the new contract, is at a later date (a "**Rollover**"). If, at that date, the Calculation Agent determines that there is no futures contract with conditions and specifications matching those of the expiring contract, the Issuer may also have the right to replace the futures contract. If necessary, the new futures contract will be adjusted by a multiple that ensures the continuity of the development of the price trend of the Valuation Asset.

The futures contract will be rolled over or substituted on a date during the period specified in the relevant Final Terms, which is usually shortly before the current expiry date of the relevant Valuation Asset. On that date, the Issuer will, therefore, unwind the hedges that it had entered into to cover the positions created by the original futures contracts, which are expiring, and create corresponding positions in futures contracts with identical features but expiring at a later date. New futures contracts will be selected at intervals stipulated in the relevant Final Terms. For example, in the case of a 3 month interval, a futures contract expiring in January (the "**Old Futures Contract**") shall be replaced by an identical futures contract (the "**New Futures Contract**") expiring the following April.

Since the Issuer is not able to unwind the positions relating to the Old Futures Contract and create new positions relating to the New Futures Contract based on a single price of the respective underlying Valuation Asset, a "Rollover Price" based on the average values shall be determined in each case for the Old Futures Contract and the New Futures Contract. In addition a fee is charged to cover the transaction costs resulting from the Rollover, the amount of which is calculated based on a figure per futures contract that is expressed in the dealing currency. While the Rollover is being carried out, the continuous quotation of buy and sell prices for the Securities on the secondary market is not possible.

10. Securities with FX Risk

The Securities may reference a foreign currency, currency unit or unit of account or the value of the Valuation Asset may be determined on the basis of such foreign currency, currency unit or unit of account. In this case, the investor's risk of loss is subject to the development of the Valuation Asset's value as well as to adverse movements in the value of such foreign currency, currency unit or unit of account. It is possible for developments such as these to increase the risk of loss since adverse movements in the respective currency exchange rate can reduce the value of the Security during its life and the amount of the Settlement Amount on expiry of the Security.

Foreign exchange rates are determined by supply and demand for currencies on international foreign exchange markets, which are subject to economic factors, speculation and government and central bank action (e.g., exchange controls and restrictions).

Such foreign exchanges risks, however, are not incurred by purchasing "Quanto" Securities, due to the fact that these Securities are not exposed to changes in the values of currencies, currency units or units of account *vis a vis* the currency of denomination of the Securities as defined in the relevant Final Terms.

11. Securities with Emerging Market Risk

Investments in emerging markets contain additional risk factors in addition to the risks normally associated with the investment in the respective Valuation Asset. These may include an unstable economic situation, high inflation, increased currency risks, political risks and legal risks. There is consequently the possibility of restrictions being imposed on foreign investors, expropriation of assets, confiscatory taxation, confiscation or nationalisation of foreign bank deposits or other assets, the introduction of currency controls or other detrimental developments, which may financially impair investments in such countries. Such impairments can, under certain circumstances, last for long periods of time, i.e., weeks or years. Each of these impairments may cause what is known as a Market Disruption Event (as defined below) in relation to the Securities and the result of this may be that in this period no prices will be quoted for the Securities affected by the Market Disruption Event.

In addition, if the Valuation Assets are quoted in local currency, there is a currency risk. Experience shows that the currency exchange rates in emerging markets are subject to particularly high fluctuations. As a result of this, the price of the Security may fall considerably even though the price of the Valuation Asset during the life of the Security has essentially remained unchanged or even risen. This means that some or all of the performance of the Valuation Asset may be counteracted by currency losses or that the performance of the Valuation Asset even becomes negative.

12. Trading in Securities, Price Determination, Commissions

It is intended that the Issuer or one of its affiliates, under normal market conditions, in the case of certain Securities only, and only where indicated in the applicable Final Terms, will regularly quote bid and offer prices for each issue of Securities. The Issuer, however, assumes no legal obligation with respect to the amount or the manner of making such quotations. Investors should therefore not rely on the fact that the Securities can be sold at a specific time or at a specific price during their life.

It should be noted that although the Issuer will base bid and offer price quotations on standard market price determination models, as is practice in the sector, and which are used by the Issuer and other traders and which reflect the theoretical value of the Securities by taking into account various factors that influence prices, the prices quoted may not actually correspond to and, indeed, normally deviate from such values. The amount of such deviation of the Issuer's bid and offer prices from the theoretical value of the Securities will vary during the life of the Securities. Particularly at the beginning of the life of the Securities, such deviations can mean that Securities acquired at the Issue Price can only be sold at significantly lower prices despite the fact that the theoretical value of the Securities and other factors influencing prices remains unchanged. In addition, such deviations from the theoretical value of the Securities can mean that the bid and offer prices quoted by other dealers are significantly different (either above or below) from the bid and offer prices quoted by the Issuer.

It should also be noted that the Issue Price may include commissions and other fees charged by the Issuer for the issue or which are fully or partially ceded by the Issuer to

distribution partners as payment for distribution services. This can cause an additional difference between the theoretical value of the Securities and the bid and offer prices quoted by the Issuer. Such differences are greater when the Securities are initially traded on the secondary markets and may gradually decline in value during the life of the Securities. These commissions and fees also reduce the investor's earnings potential. Information with respect to the amount of these commissions and fees is provided by the Issuer upon request.

13. Transactions Intended to Exclude or Limit Risk

Investors should not rely on their ability to engage in transactions during the life of the Securities that will exclude or limit their initial risk. Such ability depends on the conditions of the market and the conditions relevant to the Securities. Under certain circumstances, it is possible that such transactions may only be available to investors at unfavourable market prices, thus causing investors to incur losses.

14. Borrowing

If investors finance their purchase of Securities by loans, not only could they incur losses if expectations are not realised but will also be required to pay interest and repay such loans. The risk of losses is consequently significantly increased. Investors should, therefore, not rely on their ability to pay interest and repay the loan out of the profits on the Securities. Investors should, instead, examine their financial circumstances in advance to determine their ability to pay interest and short-term loan repayments in the event that losses are incurred rather than the expected profits.

15. Effect of Related Costs on any Expected Income

Commissions and other transaction costs which are incurred when buying or selling Securities may, particularly in conjunction with small contract amounts, result in burdensome costs which can reduce any income generated by the Securities. Prior to purchasing a Security, therefore, investors should obtain information regarding all costs relating to purchases and sales of such Security.

16. Ability to Influence the Price of the Valuation Asset

Fluctuations in the price of the Valuation Asset and consequently the Securities may, among other things, be attributed to the fact that the Issuer, the Guarantor or their respective affiliates engage in significant volumes of hedging or other types of larger transactions in or relating to the Valuation Asset. In this respect, you should also be aware that, particularly in unfavourable conditions (e.g. low liquidity of the Valuation Asset), such transactions can have a significant effect on the prices of the Valuation Asset. See "Potential Conflicts of Interest" below.

17. The Issuer of a Valuation Asset Could Take Actions That May Adversely Affect Securities

The issuer of a Valuation Asset, if any, will have no involvement in the offer and sale of the Securities and no obligation to any Holder. The issuer of a Valuation Asset may take actions, such as a merger or sale of assets, without regard to the interests of the Holders. Any of these actions could adversely affect the market value of the Securities.

18. Information about the Valuation Assets May Not be Indicative of Future Performance

The relevant Final Terms may include historical information about the relevant Valuation Assets. Any such information about the Valuation Assets will be based on publicly available information about the Valuation Asset at the time of the issuance of the Security, and should not be regarded as indicative of the range of, or trends in, fluctuations in the relevant Valuation Asset that may occur in the future.

19. Issue Size

The specified issue size represents the maximum amount of the Securities being offered, but does not give any indication as to the volume of the Securities that are ultimately issued. Such volume is determined according to the market conditions and may change during the life of the Securities. Investors should therefore note that it is not possible to predict the liquidity of the Securities in the secondary market based on the issue size.

20. Certain Factors Affecting the Value and Trading Price of Securities

The Settlement Amount at any time prior to expiration is typically expected to be less than the trading price of such Securities at that time. Any difference between the trading price and the Settlement Amount will reflect, among other things, a "time value" for the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Valuation Assets. Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Securities varies with the price and/or level of the Valuation Assets, as well as by a number of other interrelated factors, including those specified herein.

Before acquiring, exercising or selling Securities, investors should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the Valuation Assets, (iii) the time remaining to expiration, (iv) the probable range of Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Valuation Assets and (viii) any related transaction costs.

21. Limitations on Exercise

If so indicated in the relevant Final Terms, the Issuer will have the option to limit the number of Securities exercisable on any date to the maximum number specified in the relevant Final Terms and, in conjunction with such limitation, to limit the number of Securities exercisable by any person on such date. In the event that the total number of Securities being exercised on any date exceeds such maximum number and the Issuer elects to limit the number of Securities exercisable on such date, a Holder may not be able to exercise on such date all Securities that such Holder desires to exercise. Securities to be exercised on such date will be selected at the discretion of the Issuer or in any other manner specified in the relevant Final Terms. Unless otherwise specified in the relevant Final Terms, the Securities tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Securities may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

If so indicated in the relevant Final Terms, a Holder must tender a specified minimum number of Securities and integral multiples of Securities thereafter at any one time in

order to exercise. Thus, Holders with fewer than the specified minimum number of Securities or specified multiples thereof will either have to sell their Securities or purchase additional Securities, incurring transaction costs in each case, in order to realise their investment. Furthermore, Holders of such Securities incur the risk that there may be differences between the trading price of such Securities and the Settlement Amount of such Securities.

22. Certain Considerations Regarding Hedging

Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in a Valuation Assets should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not correlate exactly with the value of the Valuation Assets. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the Valuation Asset. For these reasons, among others, it may not be possible to purchase or liquidate securities in a portfolio at the prices used to calculate the value of any relevant index or basket which comprise the relevant Valuation Assets.

23. Time Lag After Exercise

Unless otherwise specified in the relevant Final Terms, in the case of any exercise of Securities, there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Settlement Amount relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Settlement Amount, as the case may be, will be specified in the Conditions and the relevant Final Terms. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Securities arising from any daily maximum exercise limitation, or following the imposition of any exchange controls, other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) or, if there is any Physical Settlement Disruption Event, Additional Disruption Event, FX Disruption Event or Market Disruption Event on the Valuation Date or the Settlement Date (as such terms are defined below). The applicable Settlement Amount may change significantly during any such period, and such movement or movements could decrease the Settlement Amount in respect of the Securities being exercised and may result in such Settlement Amount being zero.

24. Possible Illiquidity of the Secondary Market

It is not possible to predict the price at which Securities will trade in the secondary market or whether such market will be liquid or illiquid. The Issuer may seek admission of the Securities to trading on the Luxembourg Stock Exchange or any other exchange as specified in the applicable Final Terms. Securities may also be unlisted. In the event of a delisting or suspension of trading on such exchange, the Issuer will use all reasonable efforts to list the relevant Securities on another exchange. If any Securities are not listed or traded on any exchange, pricing information for the Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. In the event of circumstances which prevent the Issuer or other institutions from exercising their respective market-making functions in relation to the Securities, liquidity in the Securities may be adversely affected. To the extent that the secondary market in any Series of Securities becomes illiquid, an investor may have to exercise such Securities to realise value.

25. Potential Conflicts of Interest

Certain affiliates of the Issuer and the Guarantor may from time to time advise the issuer of Valuation Assets regarding transactions to be entered into by them, or engage in transactions involving one or more Valuation Assets for their proprietary accounts and for other accounts under their management. Any such transactions may have a positive or negative effect on the value of such Valuation Assets and therefore on the value of the Securities to which they relate. Certain affiliates of the Issuer and the Guarantor may also be the counterparty to the hedge of the Issuer's and, if applicable, the Guarantor's obligations under an issue of Securities. Accordingly, certain conflicts of interest may arise both among these affiliates and between the interests of these affiliates and the interests of Holders of Securities.

26. Illegality

If the Issuer determines that its performance under any Securities has become unlawful or impractical in whole or in part for any reason, the Issuer may cancel such Securities and, if permitted by applicable law, pay the Holder of each such Security an amount equal to the fair market value of such Securities notwithstanding such illegality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion.

27. Disruption Events

If the Calculation Agent determines that a Physical Settlement Disruption Event, Additional Disruption Event, FX Disruption Event or Market Disruption Event has occurred, any consequential postponement of or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.

28. Ranking of the Securities

The Securities are unsubordinated and unsecured obligations of the Issuer and will rank equally among themselves and, with the exception of certain obligations given priority by applicable law, will rank *pari passu* with all other present and future outstanding unsecured and unsubordinated obligations of the Issuer and the payment obligations of the Guarantor. See Condition 2 (*Status and Guarantee*).

29. The Issuer and the Guarantor

The Issuer may be affected by uncertain or unfavourable economic, market, legal and other conditions that are likely to affect The Goldman Sachs Group, Inc. as a whole. Those risks can also affect The Goldman Sachs Group, Inc.'s ability to perform its payment obligations as Guarantor of the Securities. The risks relating to The Goldman Sachs Group, Inc. as a whole have been incorporated by reference and can be found in "Risk Factors" in Part I, Item 1A (pages 20-29) of the Guarantor's Form 10-K.

DOCUMENTS INCORPORATED BY REFERENCE

The Guarantor files documents and information with the United States Securities and Exchange Commission (the "**SEC**"). The following documents, which the Guarantor has filed with the SEC, are hereby incorporated by reference into this Base Prospectus:

- (1) Annual Report on Form 10-K for the fiscal year ended 24 November 2006 (File No. 001-14965) (the "**Form 10-K**"), relating to the fiscal years ended 24 November 2006, 25 November 2005 and 26 November 2004; and
- (2) Item 1 of the Proxy Statement relating to the Annual Meeting of Shareholders on 27 March 2007 (the "**Proxy Statement**").

The Guarantor will provide without charge to each person to whom this Base Prospectus is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been incorporated by reference into this Base Prospectus, excluding exhibits to those documents unless they are specifically incorporated by reference into those documents. Investors can request those documents from Investor Relations, 85 Broad Street, New York, New York 10004, telephone +1 (212) 902-0300. In addition, such documents will be available free of charge from the Luxembourg listing agent, Dexia Banque Internationale à Luxembourg, société anonyme, from its principal office in Luxembourg. The Guarantor's filings with the SEC are also available through the SEC's website at <http://www.sec.gov>. In addition, the Base Prospectus and any SEC filings incorporated by reference into this Base Prospectus will be filed with the Commission de Surveillance du Secteur Financier, and the Luxembourg Stock Exchange will publish such documents on its website at <http://www.bourse.lu>.

The following table indicates where information required by the Prospectus Regulation to be disclosed in, and incorporated by reference into, the Base Prospectus can be found in the documents referred to above:

Information required by the Prospectus

Regulation	Document/Location
Selected financial information for the fiscal years ended November 24, 2006 and November 25, 2005 (<i>Annex IV, Section 3 of the Prospectus Regulation</i>)	Form 10-K (p. 166)
Risk factors relating to the Guarantor (<i>Annex IV, Section 4 of the Prospectus Regulation</i>)	Form 10-K (pp. 20-29)
Information about the Guarantor	
History and development of the company (<i>Annex IV, Section 5.1 of the Prospectus Regulation</i>)	Form 10-K (p. 1)
Investments (<i>Annex IV, Section 5.2 of the Prospectus Regulation</i>)	Form 10-K (pp. 86-88)
Business overview	
The Guarantor's principal activities (<i>Annex IV, Section 6.1 of the Prospectus Regulation</i>)	Form 10-K (pp. 1, 4-14)
The Guarantor's principal markets (<i>Annex IV, Section 6.2 of the Prospectus Regulation</i>)	Form 10-K (pp. 5-20)
Organisational structure (<i>Annex IV, Section 7 of the Prospectus Regulation</i>)	Form 10-K (pp. 22-23 and Exhibit 21.1)
Trend information (<i>Annex IV, Section 8 of the Prospectus Regulation</i>)	Form 10-K (pp. 49-55)
Administrative, management and supervisory bodies, including conflicts of interest (<i>Annex IV, Section 10 of the Prospectus Regulation</i>)	Form 10-K (pp. 42-43) Proxy Statement (pp. 5-10, 19-20)
Audit committee (<i>Annex IV, Section 11.1 of the Prospectus Regulation</i>)	Proxy Statement (pp. 11-12)
Beneficial owners of more than five per cent.	Proxy Statement (p. 35)
Financial information	
Audited historical financial information for the fiscal years ended November 24, 2006 and November 25, 2005 (<i>Annex IV, Section 13.1-13.4 of the Prospectus Regulation</i>)	Form 10-K (pp. 107-166, F-1-F-11)
Accounting policies and explanatory notes for the fiscal years ended November 24, 2006 and November 25, 2005 (<i>Annex IV, Section 13.1(d) of the Prospectus Regulation</i>)	Form 10-K (pp. 56, 116-163, F-5-F-11)
Legal and arbitration proceedings (<i>Annex IV, Section 13.6 of the Prospectus Regulation</i>)	Form 10-K (pp. 30-42)
Additional information	
Share capital (<i>Annex IV, Section 14.1 of the Prospectus Regulation</i>)	Form 10-K (pp. 112, 145-147, F-3)

Information required by the Prospectus**Regulation**

Credit ratings (*Annex V, Section 7.5 of the Prospectus Regulation*)

Document/Location

Form 10-K (p. 103)

Specific references to financial information incorporated by reference

Audited historical financial information for the fiscal year ended November 24, 2006

Income Statement

Form 10-K (p. 111)

Balance Sheet

Form 10-K (p. 112)

Cash Flow Statement

Form 10-K (p. 114)

Audit Report and notes to the financial statements

Form 10-K (pp. 109-110, 116-163)

Any information included in the documents incorporated by reference but not listed in the table above is given to provide investors with additional information.

GENERAL DESCRIPTION OF THE PROGRAMME

The applicable terms of any Securities will be set out in the Conditions of the Securities endorsed on, or annexed to, the Securities, as supplemented by the applicable Final Terms attached to, or endorsed on, such Securities. The Conditions of the Securities are set out in detail on pages 29 to 78 of this Base Prospectus.

Securities issued under the Programme may be issued pursuant to this Base Prospectus and relevant Final Terms ("**Final Terms**") prepared in connection with a particular series of Securities.

Securities issued under the Programme will constitute direct, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and with all other direct unsubordinated and unsecured obligations of the Issuer.

TERMS AND CONDITIONS OF THE SECURITIES

The following are the terms and conditions of the Securities which (subject to completion and amendment) will be applicable to each Series of Securities, provided that the relevant Final Terms in relation to any series of Securities may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such series of Securities.

The warrants (the "**Warrants**") and the certificates (the "**Certificates**" and together with the Warrants, the "**Securities**") are issued pursuant to a programme agreement dated 12 March 2007 (the "**Programme Agreement**", which expression shall include any amendments or supplements thereto) between Goldman Sachs International (the "**Issuer**"), Citigroup Global Markets Deutschland AG & Co. KGaA at Frankfurter Welle, Reuterweg 16, 60323 Frankfurt am Main, Germany, as principal programme agent (the "**Principal Programme Agent**", which expression shall include any successor or substitute principal programme agent appointed in accordance with the Programme Agreement), Goldman Sachs Japan Co., Ltd. as registrar (the "**Registrar**", which expression shall include any successor registrar appointed in accordance with the Programme Agreement), Skandinaviska Enskilda Banken AB (publ) as Swedish programme agent (the "**Swedish Programme Agent**"), Dexia Banque Internationale à Luxembourg, société anonyme, as Luxembourg programme agent (the "**Luxembourg Programme Agent**" and together with the Principal Programme Agent, the Swedish Programme Agent and the Registrar, where the context admits, the "**Programme Agents**", which expression shall include any substitute or additional programme agents appointed in accordance with the Programme Agreement), Citibank, N.A., London Branch, as London authentication agent (the "**London Authentication Agent**", which expression shall include any successor London authentication agent appointed in accordance with the Programme Agreement), and Goldman Sachs International or such other calculation agent as may be specified in the relevant Final Terms as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Programme Agreement). Holders (as defined in Condition 1.2) are deemed to have notice of all the provisions (including the form of Exercise Notice referred to in Condition 4 and Condition 4A (as applicable)) of the Programme Agreement.

The Securities are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Securities. Each Tranche will be the subject of a Final Terms (each a "**Final Terms**"), a copy of which will, in the case of Luxembourg Securities be lodged with the Luxembourg Stock Exchange and copies of which may be obtained free of charge from the specified office of the Luxembourg Programme Agent. In the case of VPC Registered Securities, a copy of the relevant Final Terms may be obtained free of charge from the specified office of the Swedish Programme Agent. In the case of a Tranche of Securities in relation to which application has not been made for listing on the Official List and trading on the regulated market of the Luxembourg Stock Exchange, or for listing on any other stock exchange, copies of the relevant Final Terms may also be obtained free of charge from the specified office of the Luxembourg Programme Agent but only by a Holder (as defined in Condition 1.2) of such Securities.

References in these terms and conditions to Securities are to the Securities of the relevant Series. Capitalised terms used but not defined in these terms and conditions will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Securities of the relevant Series.

1. FORM AND TRANSFER

1.1 Form

- 1.1.1 Each Tranche of Securities (other than VPC Registered Securities) will at all times be represented by a global warrant or a global certificate (in either form, the "**Global Security**") deposited on the Issue Date with, (a) in the case of Securities held in Euroclear and/or Clearstream, a common depositary for Euroclear and Clearstream Luxembourg; (b) or, in the case of Non-Cleared Securities, the Registrar.
- 1.1.2 VPC Registered Securities will be constituted by a deed of covenant dated 12 2007 and will be issued in registered, uncertificated and dematerialised form in accordance with the SFIA Act.
- 1.1.3 No Securities will be issued in definitive form.

1.2 Title to Securities

- 1.2.1 In respect of Euroclear/Clearstream Securities, Luxembourg, the person for the time being appearing in the books of Euroclear or Clearstream, Luxembourg as the holder of a Security shall be treated for all purposes by the Issuer, the Programme Agents, Euroclear and Clearstream, Luxembourg, and all other persons dealing with such person as the holder thereof (a "**Euroclear/Clearstream Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (A) Euroclear shall not be treated as the Holder of any Security held in an account with Clearstream, Luxembourg, on behalf of Euroclear's accountholders and (B) Clearstream, Luxembourg shall not be treated as the Holder of any Security held in an account with Euroclear, on behalf of Clearstream, Luxembourg's accountholders.
- 1.2.2 In respect of VPC Registered Securities, the person for the time being shown in the VPC Register shall be treated for all purposes by the Issuer, the Programme Agents, VPC and all other persons dealing with such person as the holder thereof (a "**VPC Holder**") and as the person entitled to exercise the rights represented thereby notwithstanding any notice to the contrary.
- 1.2.3 The Registrar will maintain the Register in respect of Non-Cleared Securities and the person for the time being appearing in the Register as a holder of a Non-Cleared Security shall be treated for all purposes by the Issuer, the Programme Agents and all other persons dealing with such person as the holder thereof (a "**Non-Cleared Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary.

1.3 Transfers of Securities

- 1.3.1 Transfers of Securities which are held in a Clearing System may be effected only through the Clearing System(s) in which the Securities to be transferred are held. Title will pass, other than in the case of VPC Registered Securities, upon registration of the transfer in the books of Euroclear or Clearstream, Luxembourg or, in the case of VPC Registered Securities, upon entry in the VPC Register and in accordance with the SFIA Act.

1.3.2 Transfers of Non-Cleared Securities may be effected only through the Registrar by delivery in writing to the Registrar of a duly completed Transfer Certificate (as defined in Condition 3.1). Title will pass upon registration of the transfer in the Register.

2. STATUS AND GUARANTEE

2.1 Securities

The Securities constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and rank *pari passu* among themselves.

2.2 Guarantee

The payment obligations of the Issuer in respect of the Securities are guaranteed by The Goldman Sachs Group, Inc. (the "**Guarantor**") pursuant to a guarantee dated 12 March 2007 (as amended or supplemented, the "**Guarantee**") made by the Guarantor in favour of the Holders.

3. EXERCISE RIGHTS

3.1 Definitions

For the purposes of these terms and conditions:

"**Actual/360**" has the meaning given in Condition 7.1;

"**Actual/365**" or "**Actual/Actual (ICMA)**" has the meaning given in Condition 7.1;

"**Actual/365 (Fixed)**" has the meaning given in Condition 7.1;

"**30/360 (Floating)**" or "**360/360**" or "**Bond Basis**" has the meaning given in Condition 7.1;

"**30E/360**" or "**Eurobond Basis**" has the meaning given in Condition 7.1;

"**Additional Disruption Event**" has the meaning given in Condition 10A.2.9;

"**Adjustment Assets**" has the meaning given in Condition 10A.1;

"**Announcement Date**" has the meaning given in Condition 10A.1;

"**Affected Commodity**" has the meaning given in Condition 13.4;

"**Applicable**" has the meaning given in Condition 13.4;

"**Automatic Exercise Security**" means a Warrant or Certificate (as the case may be) specified as being an Automatic Exercise Warrant or an Automatic Exercise Certificate (as the case may be) in the relevant Final Terms;

"**Averaging Date**" has the meaning given in Condition 12.2;

"**applicable law**" has the meaning given in Condition 15;

"**Basket**" has the meaning given in Conditions 12.5 and 13.7, as applicable;

"**Business Day**" means a day (other than a Saturday or Sunday) on which:

- (i) in the case of Securities held or to be held in Euroclear and/or Clearstream, Luxembourg, Euroclear and/or (as the case may be) Clearstream, Luxembourg, are open for business;
- (ii) in the case of VPC Registered Securities, banks in Sweden are open for business;
- (iii) in the case of Non-Cleared Securities, the Registrar is open for business;
- (iv) such market(s), if any, as may be specified in the relevant Final Terms are open for business;
- (v) commercial banks are open for general business in such city(ies) as may be specified in the relevant Final Terms and (if no city is so specified) in London and the principal financial centre of the Settlement Currency (as defined in Condition 3.4); and
- (vi) if euro is the Settlement Currency, TARGET is operating credit or transfer instructions in respect of payments in euro;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Nearest"** means that the relevant date shall be the first preceding day that is a Business Day, if the relevant date would otherwise fall on a day other than a Sunday or a Monday, and will be the first following day that is a Business Day, if the relevant date would otherwise fall on a Sunday or a Monday;
- (iv) **"Preceding"** means that the relevant date will be the first preceding day that is a Business Day; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent Determination" has the meaning given in Condition 13.3;

"Calculation Agent Determination of Settlement Rate" has the meaning given in Condition 12.4;

"Cash Settlement" has the meaning given in Condition 3.4;

"Change in Law" has the meaning given in Condition 10A.2.9;

"Clearing Systems" means Euroclear, Clearstream, Luxembourg and/or the VPC System;

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme;

"**Closing Date**" has the meaning given in Condition 10A.1;

"**Closing Value**" has the meaning given in the relevant Final Terms;

"**Combined Consideration**" has the meaning given in Condition 10A.2.2;

"**Commodity**" means a commodity as specified in the relevant Final Terms;

"**Commodity Business Day**" has the meaning given in Condition 13.7;

"**Commodity Disruption Events**" has the meaning given in Condition 13.2;

"**Commodity Index**" has the meaning given in Condition 13.7;

"**Commodity Index Disruption Events**" has the meaning given in Condition 13.5;

"**Commodity-Reference Dealers**" has the meaning given in Condition 13.2;

"**Commodity Reference Price**" has the meaning given in Condition 13.7;

"**Component**" has the meaning given in Condition 13.7;

"**Conversion**" has the meaning given in Condition 11.1;

"**Conversion Settlement Amount**" has the meaning given in Condition 11.1;

"**Currency Business Day**" has the meaning given in Condition 12.5;

"**Currency Disruption Events**" has the meaning given in Condition 12.3;

"**Currency Disruption Fallbacks**" has the meaning given in Condition 12.4;

"**Currency Pair**" has the meaning given in Condition 12.5;

"**Currency-Reference Dealers**" has the meaning given in Condition 12.5;

"**Debt Instrument**" means a debt instrument as specified in the relevant Final Terms;

"**Delisting**" has the meaning given in Condition 10A.1;

"**Delivery Date**" has the meaning given in Condition 13.7;

"**Deliverable Assets**" has the meaning given in the relevant Final Terms, subject as provided in Condition 10 (if applicable);

"**Depository Receipt**" means a depository receipt as specified in the relevant Final Terms;

"**Disappearance of Commodity Reference Price**" has the meaning given in Condition 13.2;

"**Disrupted Day**" has the meaning given in Condition 8.1;

"**Disruption Market**" has the meaning given in Condition 8.1;

"**Disruption Market Business Day**" has the meaning given in Condition 8.1;

"Dividends" means, where any Share has traded "ex-dividend" on the Disruption Market during the period from and including the Issue Date to but excluding the Valuation Date (each such period of trading "ex-dividend" being an **"Ex-Dividend Period"**), an amount in the Settlement Currency (converted, where applicable, into the Settlement Currency at a rate determined by the Issuer in good faith and in a commercially reasonable manner) equal to any cash dividends per Share actually received by the Issuer (or any of its affiliates) in respect of each Ex-Dividend Period in connection with its Hedge Positions less any Taxes;

"Euroclear" means Euroclear Bank SA/NV;

"Euroclear/Clearstream Securities" means Securities that are cleared through Euroclear and/or Clearstream, Luxembourg;

"Exchange" has the meaning given in Conditions 11.3 and 13.7, as applicable;

"Exchange Business Day" has the meaning given in Condition 11.3;

"Exercise Date" means, in respect of any Security, subject to Condition 6.2 (if applicable), the day on which an Exercise Notice relating to that Security is delivered in accordance with:

- (i) the provisions of Condition 4.1, provided that in respect of Securities which are held in a Clearing System:
 - (a) if the Exercise Notice is delivered (A) on any day which is not a Business Day or (B) after 10:00 a.m. (Brussels, Luxembourg or Stockholm time, as the case may be) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
 - (b) subject to Condition 3.3 (if applicable) or Condition 3.3A (if applicable), the Exercise Date may not be later than the Expiration Date; or
- (ii) the provisions of Condition 4A.1, provided that in respect of Non-Cleared Securities:
 - (a) if the Exercise Notice is delivered (A) on any day which is not a Business Day, or (B) after 11:00 a.m. (Tokyo time) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
 - (b) subject to Condition 3.3 (if applicable), the Exercise Date may not be later than the Expiration Date;

"Exercise Notice" means in respect of Securities other than VPC Registered Securities, an exercise notice in the form set out in the Programme Agreement (copies of which may be obtained from Euroclear, Clearstream, Luxembourg or the Programme Agents) or, as the case may be, the relevant Final Terms;

"Exercise Period" means the period beginning on (and including) such date as may be specified in the relevant Final Terms and ending on (and including) the Expiration Date;

"Expiration Date" has the meaning given in the relevant Final Terms;

"Extraordinary Dividend" has the meaning given in Condition 10A.1;

"Extraordinary Event" has the meaning given in Condition 10A.1;

"Fallback Reference Price" has the meaning given in Condition 12.4;

"Formula" has the meaning given in Condition 10B.4;

"Fractional Share Cash Amount" has the meaning given in Condition 4.7;

"Futures Contract" has the meaning given in Condition 13.7;

"FX Disruption Event" has the meaning given in Condition 9;

"FX Establishment Date" has the meaning given in Condition 9;

"FX Rate" has the meaning given in Condition 9;

"GSCI Manual" has the meaning given in Condition 13.7;

"GS Commodity Index" has the meaning given in Condition 13.7;

"Hedge Positions" means any one or more securities positions, derivatives positions or other instruments or arrangements (howsoever described) purchased, sold, entered into or maintained by the Issuer, the Guarantor or any affiliate thereof, in order to hedge, or otherwise in connection with, the Securities including, for the avoidance of doubt, any such positions in respect of the relevant Deliverable Assets, Valuation Assets, Settlement Currency, Relevant Currency or Adjustment Assets in respect of the Securities;

"Hedging Disruption" has the meaning given in Condition 10A.2.9;

"Holder" means a Euroclear/Clearstream Holder, a VPC Holder or a Non-Cleared Holder;

"In-the-Money" means that the Calculation Agent determines that the Closing Value of a Valuation Asset is greater than the Strike Price;

"Inapplicable" has the meaning given in Condition 13.4;

"Index" has the meaning given in Condition 10B.1;

"Index Adjustment Events" has the meaning given in Condition 13.6;

"Index Publisher" has the meaning given in the relevant Final Terms;

"Index Sponsor" has the meaning given in the relevant Final Terms;

"Insolvency Filing" has the meaning given in Condition 10A.1;

"Insolvency" has the meaning given in Condition 10A.1;

"Interest Amount" has the meaning given in Condition 7.1;

"Interest Payment Date" has the meaning given in Condition 7.1;

"Interest Period" has the meaning given in Condition 7.1;

"Interest Rate" has the meaning given in Condition 7.1;

"Interest Rate Day Count Fractions" has the meaning given in Condition 7.1;

"Issue Date" means the issue date specified in the relevant Final Terms;

"Luxembourg Securities" means any Tranche of Securities in relation to which application has been made for listing on the Official List and trading on the regulated market of the Luxembourg Stock Exchange;

"Notional Amount per Certificate" has the meaning given in Condition 7.1

"Material Change in Content" has the meaning given in Condition 13.2;

"Material Change in Formula" has the meaning given in Condition 13.2;

"Market Disruption Event" has the meaning given in Condition 8.1;

"Maximum Exercise Number" has the meaning given in Condition 6.2;

"Merger Date" has the meaning given in Condition 10A.1;

"Merger Event" has the meaning given in Condition 10A.1;

"Minimum Exercise Number" has the meaning given in Condition 6.1;

"Multiple Exercise Security" means a Warrant or Certificate (as the case may be) specified as being a Multiple Exercise Warrant or a Multiple Exercise Certificate (as the case may be) in the relevant Final Terms;

"Nationalisation" has the meaning given in Condition 10A.1;

"New Shares" has the meaning given in Condition 10A.2;

"Non-Cleared Holder" has the meaning given to it in Condition 1.2.3;

"Non-Cleared Securities" means Securities which are not held in any Clearing System;

"Optional Early Redemption Date" has the meaning given in Condition 14.2;

"Other Consideration" has the meaning given in Condition 10A.2;

"Permitted Multiple" has the meaning given in Condition 6.1;

"Physical Delivery Security" means a Security which is settled by way of physical delivery of the Deliverable Assets;

"Physical Delivery Warrant" means a Warrant which is settled by way of physical delivery of the Deliverable Assets;

"Physical Settlement" has the meaning given in Condition 3.5 or, if applicable, Condition 3.6;

"Physical Settlement Date" has the meaning given in the relevant Final Terms;

"Physical Settlement Disruption Amount" has the meaning given in the relevant Final Terms;

"Physical Settlement Disruption Event" has the meaning given in Condition 8.3;

"Price Source" has the meaning given in Condition 13.7;

"Price Source Disruption" has the meaning given in Condition 12.3 and 13.2;

"Pricing Date" has the meaning given in Condition 13.7;

"Postponed Settlement Date" has the meaning given in Condition 9;

"Potential Adjustment Event" has the meaning given in Condition 10A.1;

"Rate Calculation Date" has the meaning given in Condition 12.5;

"Reference Currency" has the meaning given in Condition 12.5;

"Reference Currency Jurisdiction" has the meaning given in Condition 12.5;

"Register" means the register held and unauthorised by the Registrar in respect of Non-Cleared Securities;

"Registrar" means Goldman Sachs Japan Co., Ltd.;

"Relevant Price" has the meaning given in Condition 13.7;

"Related Disruption Market" has the meaning given in Condition 8.1;

"Relevant Clearing System" has the meaning given in Condition 3.8;

"Relevant Company" has the meaning given in Condition 10A.1;

"Relevant Country" has the meaning given in the relevant Final Terms;

"Relevant Currency" has the meaning given in the relevant Final Terms;

"Relevant Number" has the meaning given in Condition 10A.2;

"Reuters Screen" means, when used in connection with any designated page and any designated information, the display page so designated on Reuters Money 3000 Service (or such other page as may replace that page on that service for the purpose of displaying comparable information);

"Reverse Merger" has the meaning given in Condition 10A.1;

"Scheduled Trading Day" means any day on which each Disruption Market and each Related Disruption Market are scheduled to be open for trading for their respective regular trading sessions.

"Settlement Amount" has the meaning given in Condition 3.4;

"Settlement Currency" has the meaning given in Condition 3.4;

"Settlement Date" means:

- (a) in respect of Securities other than VPC Registered Securities, the Settlement Date specified in the relevant Final Terms, subject always to Condition 3.7 (if applicable); and

(b) in respect of VPC Registered Securities, the seventh Business Day following the Expiration Date, subject to Condition 9 (if applicable);

"Settlement Rate" has the meaning given in Condition 12.5;

"Settlement Rate Option" has the meaning given in Condition 12.5;

"SFIA Act" means the Swedish Financial Instruments Accounts Act (SFS 1998:1479);

"Share-for-Combined" has the meaning given in Condition 10A.2.2;

"Share-for-Other" has the meaning given in Condition 10A.2.2;

"Share-for-Share" has the meaning given in Condition 10A.2.2;

"Shares" has the meaning given in the relevant Final Terms;

"Specified Amount" has the meaning given in Condition 12.5;

"Specified Price" has the meaning given in Condition 13.7;

"Specified Rate" has the meaning given in Condition 12.5;

"Spot Price" has the meaning given in Condition 11.3;

"Spot Rate" has the meaning given in Condition 12.5;

"Strike Price" has the meaning given in the relevant Final Terms, subject as provided in Condition 10A (if applicable);

"Substitute Index" has the meaning given in Condition 13.6;

"Substitute Publisher" has the meaning given in Condition 10B.3;

"Substitute Sponsor" has the meaning given in Conditions 10B.2 and 13.6, as applicable;

"Successor Sponsor" has the meaning given in Condition 13.6;

"TARGET" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) System or any successor thereto;

"Tax Disruption" has the meaning given in Condition 13.2;

"Taxes" means any applicable stamp duty, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding and/or other taxes or duties incurred, or any expenses, costs or fees (and, except in the case of its Hedge Positions other than brokerage commissions) incurred by, imposed on or assessed to the Issuer (or any of its affiliates) in connection with the issue, transfer or exercise of any Securities, or its Hedge Positions or otherwise in connection with the transfer of Dividends, Deliverable Assets or Physical Settlement, including, but not limited to, any cost related to or arising out of any default or delay by any broker, dealer, Relevant Market, clearing house or hedge counterparty and includes any taxes, expenses and charges incurred through, imposed on or assessed to the Hedge Positions entered into in respect of the Certificates, without regard to any refunds, credits or any other benefit or reduction that may accrue thereon through tax treaties or any other arrangements.

"Telerate" means, when used in connection with any designated page and any designated ISDA information, the display page so designated on the Moneyline Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable information);

"Tender Offer Date" has the meaning given in Condition 10A.1;

"Tender Offer" has the meaning given in Condition 10A.1;

"Trading Day" has the meaning given in Conditions 8.1 and 13.5, as applicable;

"Trading Disruption" has the meaning given in Condition 13.2;

"Trading Limitation" has the meaning given in Condition 13.2;

"Transfer Certificate" means a transfer certificate in the form set out in the Programme Agreement;

"Underlying" has the meaning given in the relevant Final Terms;

"Valuation Assets" has the meaning given in the relevant Final Terms;

"Valuation Business Day" has the meaning given in the relevant Final Terms;

"Valuation Date" has the meaning given in the relevant Final Terms, subject as provided in Conditions 8, 9 and 12.1 (if applicable);

"Valuation Period" has the meaning given in the relevant Final Terms;

"VPC" means VPC AB (the Swedish Central Securities Depository pursuant to the SFIA Act);

"VPC Holder" has the meaning given in Condition 1.2.2;

"VPC Register" means the register opened in the VPC System for VPC Registered Securities issued or to be issued by the Issuer;

"VPC Registered Securities" means any Tranche of Securities registered with VPC and issued in uncertificated and dematerialised book entry form in accordance with the SFIA Act; and

"VPC System" means the technical system at VPC for the registration of securities and the clearing and settlement of securities transactions.

3.2 **"American Style" Exercise**

If the Securities are specified in the relevant Final Terms as being American Style Warrants or Certificates (as the case may be) then this Condition 3.2 is applicable and the Securities are exercisable on any Business Day during the Exercise Period, subject to prior termination of the Securities as provided in Condition 15.

This Condition 3.2 is not applicable to VPC Registered Securities.

3.3 **"European Style" Exercise**

If the Securities are specified in the relevant Final Terms as being European Style Warrants or Certificates (as the case may be) then this Condition 3.3 is applicable and the Securities are exercisable only on the Expiration Date or, if that is not a Business Day, the next succeeding Business Day, subject to prior termination of the Securities as provided in Condition 15.

3.3A **"Bermudan Style" Exercise**

If the Securities are specified in the relevant Final Terms as being Bermudan Style Warrants or Certificates (as the case may be) then this Condition 3.3A is applicable and the Securities are exercisable only on the Specified Exercise Dates during the Exercise Period and on the Expiration Date.

This Condition 3.3A is not applicable to VPC Registered Securities.

3.4 **Cash Settlement**

Subject to Condition 3.5, Condition 3.5A, Condition 3.6 or Condition 18, each Security entitles the Holder thereof to receive from the Issuer on the Settlement Date an amount calculated in accordance with the relevant Final Terms (the "**Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Final Terms ("**Cash Settlement**") less any Taxes. The Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Securities exercised at the same time by the same Holder being aggregated for the purpose of determining the aggregate Settlement Amount payable in respect of such Securities.

3.5 **Physical Settlement**

If this Condition 3.5 is specified in the relevant Final Terms as being applicable, upon the exercise of a Security by a Holder the Issuer may elect not to pay the Settlement Amount as described in Condition 3.4, but instead, subject to Condition 18, to transfer or procure the transfer on the Physical Settlement Date (in respect of the Securities exercised by the Holder) of the Deliverable Assets in respect of each Security so exercised to the account specified for that purpose by the Holder in the relevant Exercise Notice ("**Physical Settlement**"), following payment by the Holder to or to the order of the Issuer on or before the Settlement Date of the Strike Price and, if applicable, any Taxes, all as more fully described in Condition 4. The Securities do not confer on the Holder any right to acquire the Deliverable Assets and the Issuer is not obliged to purchase or hold the Deliverable Assets. By exercising a Security, the Holder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

This Condition 3.5 is not applicable to VPC Registered Securities.

3.5A **Holder's Election for Physical Settlement**

If this Condition 3.5A is specified in the relevant Final Terms as being applicable, upon the exercise of a Security by a Holder, such Holder may in the Exercise Notice elect not to receive the Settlement Amount as described in Condition 3.4, but instead, subject to Condition 13 (if applicable) and Condition 8.3, request the Issuer to transfer or procure the transfer of the Deliverable Assets in respect of each Security so exercised and such Exercise Notice will be irrevocable notice to the Issuer. Neither the Securities nor the Exercise Notice confer any right on the Holder to acquire the Deliverable Assets and the Issuer is not obliged to purchase, hold or deliver the Deliverable Assets until the Holder has paid the Strike Price and/or any Taxes (if applicable).

This Condition 3.5A is not applicable to VPC Registered Securities.

3.6 Yield or Share Securities

If this Condition 3.6 is specified in the relevant Final Terms as being applicable, upon the exercise of a Security by a Holder the Issuer will, subject to Condition 18 (if applicable):

- 3.6.1 if the Closing Value is less than the Strike Price, subject to Condition 8 and the payment by the Holder of all Taxes, transfer, or procure the transfer on the Physical Settlement Date of the Deliverable Assets in respect of each Security so exercised to the account specified for that purpose by the Holder in the relevant Exercise Notice ("**Physical Settlement**"); and
- 3.6.2 if the Closing Value is greater than or equal to the Strike Price, pay the Settlement Amount in the Settlement Currency as set out in the relevant Final Terms,

all as more fully described in Condition 4.

This Condition 3.6 is not applicable to VPC Registered Securities or Non-Cleared Securities.

3.7 Multiple Exercise Securities

If the Securities are specified in the relevant Final Terms as being Multiple Exercise Securities then this Condition 3.7 is applicable and each Multiple Exercise Security shall be capable of being exercised once for each Expiration Date specified in the relevant Final Terms in accordance with the other provisions of these Conditions. References in these Conditions to "Valuation Date", "Valuation Period", "Strike Price", "Physical Settlement Date", "Settlement Date", "Expiration Date", "Exercise Period", "Exercise Date", "Exercise Notice" and "Automatic Exercise" shall, in relation to each exercise of Multiple Exercise Securities, unless the context otherwise requires, be construed as references to the relevant "Valuation Date", the relevant "Valuation Period", the relevant "Strike Price", the relevant "Physical Settlement Date", the relevant "Settlement Date", the relevant "Expiration Date", the relevant "Exercise Period", the relevant "Exercise Date", the relevant "Exercise Notice" and the relevant "Automatic Exercise".

3.8 Securities Void on Expiration

- 3.8.1 Any Security (other than a VPC Registered Security), which is held in a Clearing System and with respect to which no Exercise Notice has been delivered to Euroclear or Clearstream, Luxembourg (the "**Relevant Clearing System**") and to the Principal Programme Agent, in accordance with the provisions of Condition 4, at or prior to 10:00 a.m. (Brussels or Luxembourg time, as the case may be) on the Expiration Date (or, in the case of a European Style Security, if that is not a Business Day, the next succeeding Business Day), shall become null and void or, in the case of a Multiple Exercise Security, shall become null and void in respect of the relevant Expiration Date only.
- 3.8.2 Any Non-Cleared Security with respect to which no Exercise Notice has been delivered to the Registrar, in accordance with the provisions of Condition 4A, at or prior to 11:00 a.m. (Tokyo time) on the Expiration Date (or, in the case of a European Style Security, if that is not a Business Day, the next succeeding Business Day), shall become null and void or, in the case of a Multiple Exercise

Security, shall become null and void in respect of the relevant Expiration Date only.

This Condition 3.8 is not applicable to VPC Registered Securities.

3.9 Automatic Exercise - Securities other than VPC Registered Securities

3.9.1 If the Securities are specified in the relevant Final Terms as being Automatic Exercise Securities then this Condition 3.9 is applicable and any Securities in respect of which an Exercise Notice has not been duly completed and delivered, in the case of (i) American Style Securities on the last Business Day in the relevant Exercise Period or (ii) European Style Securities held in a Clearing System, by 10:00 a.m. (Brussels or Luxembourg time, as the case may be) on the Expiration Date or (iii) European Style Securities not held in a Clearing System, by 11:00 a.m. (Tokyo Time) on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day) or (iv) if Condition 3.5A is specified as being applicable and such Securities are In-the-Money at the relevant time on the Expiration Date (as determined by the Calculation Agent), such Securities shall be deemed to have been exercised on such date, subject to prior termination of the Securities as provided in Condition 15 and, if Condition 3.5A is specified, Cash Settlement shall apply. For the avoidance of doubt, in relation to Securities where this Condition 3.9 and Condition 3.5A are specified as applicable, any Securities in respect of which an Exercise Notice has been duly completed and delivered at the relevant time and which are In-the-Money at the relevant time on the Expiration Date (as determined by the Calculation Agent) shall be deemed to have been exercised on such date and, subject to prior termination of the Securities as provided in Condition 15 and to Holder election and Physical Settlement may apply.

3.9.2 The Issuer shall be under no obligation to settle any Automatic Exercise Security until, and the Settlement Date or, as the case may be, the Physical Settlement Date in respect of such Security shall be, the third Business Day (or such other date as may be specified in the relevant Final Terms) following the day on which the Holder has delivered an Exercise Notice in accordance with Condition 4.1 or Condition 4A.1 (as applicable); provided that if the relevant Holder has not delivered an Exercise Notice within 30 Business Days of the deemed Exercise Date, such Securities shall become null and void (or, in the case of a Multiple Exercise Security, shall become null and void in respect of the relevant Expiration Date only).

3.10 Open-ended Securities

This Condition 3.10 is applicable to American Style and Bermudan Style Securities in respect of which no Final Exercise Date is specified in the relevant Final Terms ("**Open-ended Securities**"). Any such Open-ended Security shall be capable of being exercised by the Holder in accordance with the provisions of Condition 3.3 or 3.4, as applicable and will be capable of being redeemed by the Issuer in accordance with the provisions of Condition 14.

This Condition 3.10 is not applicable to VPC Registered Securities.

4. EXERCISE PROCEDURE - SECURITIES HELD IN A CLEARING SYSTEM

This Condition 4 is only applicable to Securities held in a Clearing System.

4.1 **Exercise Notice - Euroclear/Clearstream Securities only**

Euroclear/Clearstream Securities may be exercised by delivery in writing of a duly completed Exercise Notice to (i) the Relevant Clearing System, and (ii) the Principal Programme Agent, not later than 10:00 a.m. (Brussels or Luxembourg time, as the case may be):

- 4.1.1 in the case of American Style Securities, on any Business Day during the Exercise Period;
- 4.1.2 in the case of European Style Securities, on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day); or
- 4.1.3 in the case of Bermudan Style Securities, on the Specified Exercise Date(s) or the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day).

Each Exercise Notice shall:

- (i) specify the name, address, telephone and facsimile details of the Holder;
- (ii) specify the number of Securities of each Tranche being exercised;
 - (a) (other than in the case of a Multiple Exercise Security) specify the number of the Holder's account at the Relevant Clearing System to be debited with the Securities being exercised and irrevocably instruct, or, as the case may be, confirm that the Holder has irrevocably instructed, the Relevant Clearing System to debit the Holder's account with the Securities being exercised and to credit the account of the Principal Programme Agent; and
 - (b) (in the case of a Multiple Exercise Security only) (1) on the last exercise of such Security specify and irrevocably instruct, or, as the case may be, confirm that the Holder has irrevocably instructed, the Relevant Clearing System to debit the Holder's account with the Securities being exercised and to credit the account of the Principal Programme Agent, and, (2) in the case of all exercises of Multiple Exercise Securities other than the last, confirm the number of the Holder's account at the Relevant Clearing System to which the Securities being exercised are credited.
- (iii) specify the number of the Holder's account at the Relevant Clearing System to be credited with the Settlement Amount for the Securities being exercised;
- (iv) include an irrevocable undertaking by the Holder to pay any Taxes and an authority to the Relevant Clearing System to deduct an amount in respect thereof from any Settlement Amount due to such Holder or otherwise to debit (on or at any time after the Settlement Date) a specified account of the Holder at the Relevant Clearing System with an amount or amounts in respect thereof;
- (v) certify that the Securities are not being exercised by or on behalf of a U.S. person or a person within the United States and the Securities are not beneficially owned by a U.S. person or a person within the United States (terms in this paragraph (vi) have the meanings given to them in the Exercise Notice), unless the Final Terms relating to a Security expressly provides otherwise in

connection with an offering of the Security pursuant to Rule 144A under the Securities Act; and

- (vi) authorise the production of such certification in applicable administrative or legal proceedings.

In addition, if Condition 3.5, Condition 3.5A or Condition 3.6 is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (a) (only if Condition 3.5 or 3.5A is specified and, in the case of 3.5A, the Holder has elected Physical Settlement) irrevocably instruct the Relevant Clearing System to debit on the Settlement Date a specified account of the Holder with the aggregate Strike Price (if relevant) in respect of the Securities being exercised and to transfer such amount to such account with the Relevant Clearing System as shall have been specified by the Issuer to the Relevant Clearing System for that purpose;
- (b) include an irrevocable undertaking by the Holder to pay any applicable Taxes by reason of the transfer (if any) of the Deliverable Assets to the account at the Relevant Clearing System specified by the Holder in the relevant Exercise Notice; and
- (c) specify the number of the Holder's account with the Relevant Clearing System to be credited with the relevant Deliverable Assets.

This Condition 4.1 is not applicable to VPC Registered Securities.

4.1A Automatic Exercise - VPC Registered Securities

VPC Registered Securities shall be deemed to have been exercised by 10:00 a.m. (Stockholm time) on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day).

4.2 Verification of the Holder - Euroclear/Clearstream Securities only

Upon receipt of an Exercise Notice the Principal Programme Agent shall request the Relevant Clearing System to confirm in writing to the Principal Programme Agent, the Calculation Agent and the Issuer, that, according to the books of the Relevant Clearing System, the person exercising the Securities referred to in the Exercise Notice is the holder thereof. If the number of Securities specified in such Exercise Notice exceeds the number of Securities held in the specified account of the person exercising the relevant Securities, the Exercise Notice shall become null and void, and the Principal Programme Agent shall so notify the Issuer and the Calculation Agent. If the number of Securities specified in such Exercise Notice does not exceed the number of Securities held in such specified account then, on or prior to the Settlement Date (in the case of a Multiple Exercise Security, the last Settlement Date only), the Relevant Clearing System (in the case of Euroclear and Clearstream, Luxembourg) will debit such account with the Securities being exercised (but without prejudice to the accrued rights of the relevant Holder).

4.3 Election of Settlement Method - Euroclear/Clearstream Securities only

If Condition 3.5 or Condition 3.5A is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Valuation Date, notify the Relevant Clearing System, the Principal

Programme Agent and (if applicable) the relevant Holder, if the Issuer or, as the case may be, the Holder has elected for Physical Settlement. If Condition 3.5 is specified, notice to the relevant Holder shall be given by facsimile to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Holder. The Relevant Clearing System will on or before the Settlement Date (in the case of a Multiple Exercise Security, the last Settlement Date only) debit the relevant account of the Holder and credit the relevant account of the Principal Programme Agent (in favour of the Issuer) with the Securities being exercised and, if the Issuer or, as the case may be, the Holder has elected for Physical Settlement, with the aggregate Strike Price in respect of the Securities exercised together with any applicable Taxes (if any). If the Issuer or, as the case may be, the Holder has elected for Physical Settlement and the aggregate Strike Price in respect of the Securities exercised together with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer the Deliverable Assets or make payment of any nature to the relevant Holder in respect of the Securities, and the Exercise Notice delivered in respect of the Securities shall thereafter be null and void for all purposes.

This Condition 4.3 is not applicable to VPC Registered Securities.

4.4 Settlement - Euroclear/Clearstream Securities only

Unless the Issuer or, as the case may be, the Holder shall have elected for Physical Settlement or the relevant Security falls to be settled by Physical Settlement in accordance with Condition 3.6, the Issuer shall on and for value on the Settlement Date, subject to Condition 18 (if applicable), transfer an amount equal to the aggregate Settlement Amount of the duly exercised Securities to the account of the Principal Programme Agent, whereupon the Principal Programme Agent shall transfer such amount to the account at the Relevant Clearing System specified in the relevant Exercise Notice for value on the Settlement Date. If, however, Condition 3.5 is specified in the relevant Final Terms as being applicable and the Issuer elects for Physical Settlement or if Condition 3.5A is specified and the Holder elects for Physical Settlement or if Condition 3.6 is specified and the relevant Security falls to be settled by Physical Settlement, then, subject to Condition 8.3 and Condition 18 (if applicable), on transfer of the Strike Price (if Condition 3.5 or Condition 3.5A is applicable) and any applicable Taxes from the relevant account of the Holder to the relevant account of the Principal Programme Agent (in favour of the Issuer) as aforesaid, the Issuer shall, on the relevant Physical Settlement Date, transfer or procure the transfer of the Deliverable Assets in respect of each relevant Security for credit to the account specified in the relevant Exercise Notice.

This Condition 4.4 is not applicable to VPC Registered Securities.

4.4A Settlement - VPC Registered Securities

4.4A.1 No later than the sixth Business Day immediately preceding the Settlement Date of any Tranche of VPC Registered Securities, subject to Condition 18 (if applicable) and in accordance with the Programme Agreement, the Issuer shall transfer an amount equal to the aggregate Settlement Amount of such Tranche to the cash account in the name of the Issuer maintained by the Swedish Programme Agent (the "**Custody Cash Account**") whereupon the Swedish Programme Agent will transfer such Settlement Amount from the Custody Cash Account to the cash account denominated in Swedish krona to which VPC has access in connection with payments to Holders (the "**Cash Transfer Account**").

4.4A.1 Subject to paragraph 4.4A.1, VPC will debit the Cash Transfer Account for value on the Settlement Date and forward the Settlement Amount to the Holders in accordance with the Programme Agreement.

4.5 Determinations - Euroclear/Clearstream Securities only

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Relevant Clearing System, in consultation with the Principal Programme Agent, and shall be conclusive and binding on the Issuer, the Programme Agents and the relevant Holder. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied to the Principal Programme Agent immediately after being sent to the Relevant Clearing System shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the Relevant Clearing System it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the Relevant Clearing System.

This Condition 4.5 is not applicable to VPC Registered Securities.

4.6 Effect of Exercise Notice - Euroclear/Clearstream Securities only

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the relevant Holder to exercise the Securities specified therein. After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4.2), the holder of the Securities specified in such Exercise Notice may not transfer such Securities (or in the case of an exercise of Multiple Exercise Securities, prior to the relevant Settlement Date) prior to the Settlement Date.

Notwithstanding this, if any Holder does so transfer or attempt to transfer such Securities, the Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related Hedge Positions in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement Hedge Positions in respect of such Securities or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement Hedge Positions.

This Condition 4.6 is not applicable to VPC Registered Securities.

4.7 Fractions

No fraction of any Deliverable Asset will be transferred on exercise of any Security, provided that all Securities exercised at the same time by the same Holder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Deliverable Asset arises. Instead the Issuer shall make a cash refund in respect of the corresponding part (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Securities together (to the extent permitted by law) with any applicable Taxes (the "**Fractional Share Cash Amount**"). Such refund shall be made by transfer by the Issuer to the account of the Principal Programme Agent whereupon the Principal Programme Agent shall transfer such amount to the account at the Relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Settlement Amount.

This Condition 4.7 is not applicable to VPC Registered Securities.

4A EXERCISE PROCEDURE - NON-CLEARED SECURITIES

This Condition 4A is applicable only to Non-Cleared Securities.

4A.1 Exercise Notice

Non Cleared Securities may be exercised by delivery in writing of a duly completed Exercise Notice to the Registrar, not later than 11:00 a.m. (Tokyo time):

4A.1.1 in the case of American Style Securities, on any Business Day during the Exercise Period; or

4A.1.2 in the case of European Style Securities, on the Expiration Date (or, if that is not a Business Day, the next succeeding Business Day).

Each Exercise Notice shall:

- (vii) specify the name, address, telephone, facsimile and (if appropriate) account details of the Holder;
- (viii) specify the number of Securities of each Tranche being exercised;
- (ix) irrevocably instruct, or, as the case may be, confirm that the Holder has irrevocably instructed, the Registrar to amend the Register to reflect the Securities being exercised (in the case of a Multiple Exercise Security, only on the last exercise of such Security);
- (x) specify the number of the Holder's account to be credited with the Settlement Amount for the Securities being exercised;
- (xi) include an irrevocable undertaking by the Holder to pay any Taxes and an authority to the Registrar to deduct an amount in respect thereof from any Settlement Amount due to such Holder or otherwise to debit (on or at any time after the Settlement Date) a specified account of the Holder with an amount or amounts in respect thereof;
- (xii) certify that the Securities are not being exercised by or on behalf of a U.S. person or a person within the United States and the Securities are not beneficially owned by a U.S. person or a person within the United States (terms in this paragraph (vi) have the meanings given to them in the Exercise Notice), unless the Final Terms relating to a Security expressly provides otherwise in connection with an offering of the Security pursuant to Rule 144A under the Securities Act; and
- (xiii) authorise the production of such certification in applicable administrative or legal proceedings.

4A.2 Verification of the Holder

Upon receipt of an Exercise Notice the Registrar shall confirm in writing to the Calculation Agent and the Issuer, that, according to the Register, the person exercising the Securities referred to in the Exercise Notice is the holder thereof. If the number of Securities specified in such Exercise Notice exceeds the number of Securities held (according to the Register) by the person exercising the relevant Securities, the Exercise Notice shall become null and void, and the Registrar shall so notify the Issuer and the

Calculation Agent. If the number of Securities specified in such Exercise Notice does not exceed the number of Securities held (according to the Register) by such person, on the Settlement Date (in the case of a Multiple Exercise Security, the last Settlement Date only), the Registrar will amend the Register to reflect the Securities being exercised (but in each case without prejudice to the accrued rights of the relevant Holder).

4A.3 Settlement

The Issuer shall on and for value on the Settlement Date, subject to Condition 18 (if applicable), transfer an amount equal to the aggregate Settlement Amount of the duly exercised Securities to the account of the relevant Holder specified in the Exercise Notice for value on the Settlement Date.

4A.4 Determinations

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Registrar and shall be conclusive and binding on the Issuer, the Programme Agents and the relevant Holder. Any Exercise Notice so determined to be incomplete or not in proper form shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the Registrar it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the Registrar.

4A.5 Effect of Exercise Notice

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the relevant Holder to exercise the Securities specified therein. After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4A.2), the holder of the Securities specified in such Exercise Notice may not otherwise transfer such Securities (in the case of an exercise of Multiple Exercise Securities, other than the last such exercise) prior to the Settlement Date.

Notwithstanding this, if any Holder does so transfer or attempt to transfer such Securities, the Holder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related Hedge Positions in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement Hedge Positions in respect of such Securities or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement Hedge Positions.

5. DETERMINATION AND NOTIFICATION OF CASH SETTLEMENT AMOUNT

5.1 Calculation Agent

The Calculation Agent shall not act as an agent for the Holders but shall be the agent of the Issuer and all its calculations and determinations hereunder shall (save in the case of manifest error) be final and binding on the Issuer and the Holders. All calculation functions required of the Calculation Agent under these terms and conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

5.2 Notification

5.2.1 In respect of Euroclear/Clearstream Securities, on or before 5:00 p.m. (Frankfurt time) on any Valuation Date, the Calculation Agent shall notify the Issuer and the Principal Programme Agent of the Settlement Amount to be paid

on the relevant Settlement Date in respect of the relevant Securities, provided that the Calculation Agent has received a fax from either Euroclear or Clearstream, Luxembourg as the case may be, specifying the number of Securities which have been exercised in accordance with Condition 4.2.

5.2.2 In respect of VPC Registered Securities, on or before 5:00 p.m. (Stockholm time) on the second Business Day following the Expiration Date, the Calculation Agent shall notify the Issuer and the Swedish Programme Agent of the aggregate Settlement Amount and the Settlement Amount per Security to be paid on the relevant Settlement Date in respect of the relevant VPC Registered Securities.

5.2.3 In respect of Non-Cleared Securities, on or before 5:00 p.m. (London time) on any Valuation Date, the Calculation Agent shall notify the Issuer and the Registrar of the Settlement Amount to be paid on the relevant Settlement Date in respect of the relevant Securities, provided that the Calculation Agent has received a fax from the Registrar specifying the number of Securities which have been exercised in accordance with Condition 4A.2.

5.3 Responsibility

None of the Issuer, the Guarantor or the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these terms and conditions or in the calculation of any Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

6. LIMITS ON THE NUMBER OF SECURITIES EXERCISABLE

6.1 Minimum Exercise Number

The Securities are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms (with a minimum denomination of no less than EUR 1000) or integral multiples thereof (or, if a "**Permitted Multiple**" is specified in the relevant Final Terms, higher integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Holders in accordance with Condition 18.

6.2 Maximum Exercise Number

If a number (the "**Maximum Exercise Number**") is specified in the relevant Final Terms as the Maximum Exercise Number and the Issuer determines in its absolute discretion on any Exercise Date that more than the Maximum Exercise Number of Securities are being exercised by a single Holder or a group of Holders acting in concert, then the Issuer may deem the Exercise Date for the first Maximum Exercise Number of the Securities exercised by such Holder or group of Holders to be such date and the Exercise Date for each additional tranche of Maximum Exercise Number of the Securities (or part thereof, in the case of the last tranche) exercised by such Holder or group of Holders to be each succeeding Business Day thereafter until there shall have been an Exercise Date in respect of all such Securities exercised by such Holder or group of Holders; provided that no such Exercise Date shall fall later than the Expiration Date. In any case where the Issuer determines that more than the Maximum Exercise Number of Securities are so exercised on the same day by a Holder or group of Holders

acting in concert, the order of settlement in respect of such Securities shall be at the discretion of the Issuer. The Maximum Exercise Number may be waived on any occasion by the Issuer in its absolute discretion and may be amended from time to time by the Issuer by notice to the Holders in accordance with Condition 20.

7. **CERTIFICATES-INTEREST** (This Condition 7 applies only to Certificates.)

7.1 **Definitions**

For the purposes of this Condition 7:

"Actual/360" means the actual number of days in the Interest Period divided by 360;

"Actual/365" or **"Actual/Actual (ICMA)"** means the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

"Actual/365 (Fixed)" means the actual number of days in the Interest Period divided by 365;

"30/360 (Floating)" or **"360/360"** or **"Bond Basis"** means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a month comprising 30 days);

"30E/360" or **"Eurobond Basis"** means the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 months each comprising 30 days without regard to the date of the first day or last day of the Interest Period, unless in the case of an Interest Period ending on the Expiration Date, the Expiration Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a month comprising 30 days);

"Interest Amount" means, in respect of each Interest Period and each Certificate, an amount calculated by the Calculation Agent as follows:

Notional Amount per Certificate x Interest Rate x Interest Rate Day Count Fraction;

"Interest Payment Date" means each date specified in the applicable Final Terms;

"Interest Period" means the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date;

"Interest Rate" means the rate specified as such in the applicable Final Terms;

"Interest Rate Day Count Fractions" has the meaning given in the relevant Final Terms; and

"Notional Amount per Certificate" means the amount specified as such in the applicable Final Terms.

7.2 Interest Amount

If so specified in the applicable Final Terms and subject as provided in these Conditions, each Certificate pays interest from and including the Issue Date at the Interest Rate payable in arrears on each Interest Payment Date. The amount payable in respect of each Certificate on each Interest Payment Date will be the Interest Amount for the Interest Period ending on (but excluding) such Interest Payment Date.

If an Interest Amount is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated on the basis of the number of days from and including the most recent Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date and the Interest Rate Day Count Fraction specified in the applicable Final Terms.

7.3 Accrual of Interest

Each Certificate will cease to accrue interest from and including the Expiration Date unless payment of the Cash Settlement Amount and/or delivery of any Physical Settlement Amount due on redemption is improperly withheld or refused by the Issuer in which case interest shall continue to accrue from the Expiration Date until such payment or delivery is made, as the case may be. For the avoidance of doubt, no interest on the Certificates shall accrue beyond the Expiration Date in the event that delivery of any Physical Settlement Amount is postponed due to the occurrence of a Physical Settlement Disruption Event or otherwise as provided for in these Conditions or the applicable Final Terms.

8. MARKET DISRUPTION

8.1 Definitions

For the purposes of this Condition 8:

"Clearing System Business Day" means any day on which the principal domestic clearance system customarily used for settling trades in the Deliverable Assets is (or but for the occurrence of a Physical Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions and, in the case of VPC Securities, a day in Sweden which is not a Sunday or a public holiday or, with respect to the payment of promissory notes, is equivalent to a public holiday, and days on which banks in Sweden are open for business;

"Disrupted Day" means, in respect of a Valuation Asset which is a Share or an Index, any Trading Day on which the relevant Disruption Market or Related Disruption Market fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred;

"Disruption Market" has the meaning given in the relevant Final Terms;

"Disruption Market Business Day" means any Trading Day on which the relevant Disruption Market and Related Disruption Market are open for trading during their

respective regular trading sessions, notwithstanding such Disruption Market or Related Disruption Market closing prior to its scheduled closing time;

"Market Disruption Event" means, in respect of a Valuation Asset which is a Share or an Index, the occurrence or existence of:

- (i) any suspension of or limitation imposed on trading by the relevant Disruption Market or Related Disruption Market or otherwise and whether by reason of movements in price exceeding limits permitted by such Disruption Market or Related Disruption Market in relation to (i) the relevant Valuation Assets on such Disruption Market; which the Calculation Agent determines is material; or (ii) futures or options contracts relating to the relevant Valuation Assets on such Related Disruption Market;
- (ii) any event (other than Early Closure (as defined below)) 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 Valuation Assets on the relevant Disruption Market, which the Calculation Agent determines is material; or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Valuation Assets on the relevant Related Disruption Market;
- (iii) the closure of the relevant Disruption Market or Related Disruption Market on any Disruption Market Business Day prior to its scheduled closing time ("**Early Closure**"), unless such earlier closing time is announced by such Disruption Market or Related Disruption Market, as the case may be, at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Disruption Market or Related Disruption Market, as the case may be; and (b) the submission deadline for orders to be entered into the relevant Disruption Market or Related Disruption Market, as the case may be (if applicable);
- (iv) any change in national or international financial, political or economic conditions or currency exchange rates or exchange controls, the effect of which is, in the judgment of the Calculation Agent, so material and adverse as to make it impracticable or inadvisable to proceed with the calculation of the Settlement Amount or (if applicable) the transfer of the Deliverable Assets on the terms and in the manner contemplated by these Conditions; or
- (v) circumstances under which the Issuer, the Guarantor or any of their affiliates is unable, or in the reasonable opinion of the Calculation Agent it is commercially impracticable for the Issuer, the Guarantor or any of its affiliates for any reason whatsoever, to sell, hold, transfer or trade the relevant Valuation Assets;

"Related Disruption Market" means each exchange or quotation system specified as such in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options relating to the relevant Valuation Assets 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 relevant Valuation Assets on such temporary substitute exchange or quotation system as on the original Related Disruption Market);

"Trading Day" means a day (other than a Saturday or Sunday) on which each Disruption Market or Related Disruption Market are scheduled to be open for trading for their respective regular trading sessions; and

"Valuation Assets" has the meaning given in the relevant Final Terms.

8.2 Postponement of Valuation Date upon Occurrence of a Market Disruption Event

If, in the opinion of the Calculation Agent, any day which but for this Condition 8 would be a Valuation Date is a Disrupted Day in respect of a Valuation Asset which is a Share or an Index, then the Valuation Date in respect of such Share or Index, as the case may be, may, at the discretion of the Calculation Agent, be postponed to the first following Trading Day that is not a Disrupted Day in respect of such Share or Index, as the case may be, provided that, but subject to Condition 8.2, in no event shall such Valuation Date be postponed until later than the eighth Trading Day following the relevant original Valuation Date and, if such eighth Trading Day is a Disrupted Day in respect of such Share or Index, as the case may be, (i) such eighth Trading Day shall be deemed to be the Valuation Date in respect of such Share or Index, as the case may be, notwithstanding that such day is a Disrupted Day and (ii) the relevant Settlement Amount shall be calculated using the fair market value of the relevant Valuation Asset as determined by the Calculation Agent at or about 4:00 p.m. (London time) on such eighth Trading Day (or as soon as practicable thereafter) in its absolute discretion. If, any Valuation Date occurs after the Expiration Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Settlement Date or, as the case may be, Physical Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event (each as defined in Condition 10A) shall in each case be determined by reference to the last such Valuation Date as though it were the Expiration Date. If Condition 3.6 is specified in the relevant Final Terms as being applicable payment of the Settlement Amount shall satisfy in full the Issuer's obligations in respect of the relevant Security and the Issuer will be under no obligation to deliver the Deliverable Asset(s).

8.3 Physical Settlement Disruption Event

If the Calculation Agent determines that any event has occurred as a result of which the Issuer cannot, or it is commercially impracticable for the Issuer to, effect Physical Settlement of all or any of the Deliverable Assets (a **"Physical Settlement Disruption Event"**) on the Physical Settlement Date, then the Physical Settlement Date shall be the first succeeding Clearing System Business Day on which there is no Physical Settlement Disruption Event provided that, but subject to Condition 8.2, if the Physical Settlement Disruption Event is continuing on the fourteenth Clearing System Business Day following the originally designated Physical Settlement Date, the Issuer shall require the relevant Holder to accept, in lieu of delivery of the Deliverable Assets in respect of each Security exercised, payment of the Physical Settlement Disruption Amount on the third Business Day following the fourteenth Clearing System Business Day following the originally designated Physical Settlement Date. Payments made by the Issuer will be made subject to any applicable fiscal or other laws and regulations.

9. POSTPONEMENT OF SETTLEMENT DATE ON THE OCCURRENCE OF A FOREIGN EXCHANGE DISRUPTION EVENT

If this Condition 9 is specified in the relevant Final Terms as being applicable then, if the Calculation Agent determines that on a Valuation Date an FX Disruption Event (as defined below) has occurred and is continuing, the date for determination of the FX Rate

shall be postponed until the first Business Day on which such FX Disruption Event ceases to exist (the "**FX Establishment Date**") and the Settlement Date in respect of the Securities shall be postponed to the Business Day which falls the same number of Business Days after the FX Establishment Date as the Settlement Date was originally scheduled to be after the Valuation Date (the "**Postponed Settlement Date**").

If an FX Disruption Event has occurred and is continuing on the Postponed Settlement Date (including any Settlement Date postponed due to a prior FX Disruption Event), then the Postponed Settlement Date shall be further postponed until the first Business Day following the date on which such FX Disruption Event ceases to exist.

For the avoidance of doubt, if an FX Disruption Event coincides with a Market Disruption Event or a Physical Settlement Disruption Event, as the case may be, the provisions of this Condition 9 shall take effect only after such postponements or adjustments have been made as a result of such Market Disruption Event or Physical Settlement Disruption Event in accordance with Condition 8 and, notwithstanding the provisions of Condition 8, the Issuer's payment obligation of the Settlement Amount shall continue to be postponed in accordance with the provisions of this Condition 9.

For the purposes of this Condition 9:

"FX Disruption Event" means the occurrence of an event that makes it impossible through legal channels for the Issuer or its affiliates to either:

- (i) convert the Relevant Currency into the Settlement Currency, or
- (ii) deliver the Settlement Currency from accounts within the Relevant Country to accounts outside such jurisdiction, or
- (iii) deliver the Relevant Currency between accounts within the Relevant Country to a person that is a non-resident of that jurisdiction;

"FX Rate" means, unless otherwise specified in the relevant Final Terms, the exchange rate (determined by the Calculation Agent in good faith and in a commercially reasonable manner) for the sale of Relevant Currency for Settlement Currency on the Valuation Date or other date on which such exchange rate falls to be determined in accordance with the provisions of this Condition 9 expressed as a number of units of Relevant Currency per unit of Settlement Currency;

"Relevant Country" has the meaning given in the relevant Final Terms; and

"Relevant Currency" has the meaning given in the relevant Final Terms.

10. **ADJUSTMENTS**

10.1 **ADJUSTMENTS: ALL SECURITIES**

The Issuer reserves the right to make such adjustments or to distribute to the Holders such rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur (including, without limitation, the introduction of any new currency or replacement of any national currency) which the Issuer believes (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) should, in the context of the issue of Securities and its obligations thereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent to be appropriate for the purpose of

ensuring the economic value attributable to such Security (as determined by the Calculation Agent in its absolute discretion) should be as nearly as practicable the same after as before such event or events occurred (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of the laws of the relevant jurisdiction or the practices of any relevant market.

10A. **ADJUSTMENTS: EQUITY-LINKED SECURITIES**

This Condition 10A is applicable only in relation to Securities specified in the relevant Final Terms as being "Equity-Linked Warrants" or "Equity-Linked Certificates" (as the case may be) or, if in the relevant Final Terms the Securities are specified as being "Equity-Linked and Index-Linked Warrants" or "Equity-Linked and Index-Linked Certificates" (as the case may be), this Condition 10A is applicable only in relation to the Deliverable Assets and/or Valuation Assets which are Shares.

10A.1 **Definitions**

For the purposes of this Condition 10A:

"Adjustment Assets" means each Deliverable Asset and each Valuation Asset;

"Announcement Date" means, in each case as determined by the Calculation Agent, (a) in the case of a Merger Event, the date of the first public announcement of a firm intention to engage in a transaction (whether or not subsequently amended) that leads to the Merger Event, (b) in the case of a Tender Offer, the date of the first public announcement of a firm intention to purchase or otherwise obtain the requisite number of voting shares (whether or not subsequently amended) that leads to the Tender Offer, (c) in the case of a Nationalisation the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (d) in the case of Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, or (e) in the case of a Delisting, the date of the first public announcement by the Disruption Market that the Shares will cease to be listed, traded or publicly quoted as described in the definition of "Delisting". If, in any case, such announcement is made after the actual closing time for the regular trading session on the Disruption Market, without regard to any after hours or any other trading outside of such regular session hours, the Announcement Date shall be deemed to be the next following Trading Day;

"Closing Date" means a Merger Date, Tender Offer Date, or the date of the occurrence of a Nationalisation, Insolvency or Delisting (each as determined by the Calculation Agent) as the case may be;

"Delisting" means that the Disruption Market announces that pursuant to its rules, the Shares cease (or will cease) to be listed, traded or publicly quoted on such Disruption Market for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system which (i) is located in the same country as the Disruption Market (or, where the Disruption Market is within the European Union, in any member state of the European Union) and (ii) has, on the determination of the Calculation Agent, comparable liquidity in the Shares to the Disruption Market;

"Extraordinary Dividend" means any amount determined by the Calculation Agent to be an Extraordinary Dividend;

"Extraordinary Event" means a Merger Event, Tender Offer, Nationalisation, Insolvency, Delisting or any Additional Disruption Event as specified in the relevant Final Terms;

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Relevant Company, (a) all the Shares of the Relevant Company are required to be transferred to a trustee, liquidator or other similar official, or (b) holders of the Shares of the Relevant Company become legally prohibited from transferring them;

"Insolvency Filing" means that the Relevant Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or it consents to such a petition provided that proceedings or petitions presented by creditors and not consented to by the Relevant Company shall not be deemed an Insolvency Filing;

"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 is determined by the Calculation Agent;

"Merger Event" means, in respect of any Share, 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 Relevant Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Company is the continuing entity and which does not result in any such 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 that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than the Shares owned or controlled by such other entity or person), (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Company or its subsidiaries with or into another entity in which the Relevant 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, (a) in the case of a Security to which Physical Settlement applies, the later to occur of the Expiration Date and the final Physical Settlement Date or (b) in any other case, the Final Valuation Date;

"Nationalisation" means that all the Shares or all the assets or substantially all the assets of the Relevant Company are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity or instrumentality thereof;

"Potential Adjustment Event" means any of the following in respect of the Relevant Company:

- (i) a subdivision, consolidation or reclassification of the 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;
- (ii) 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 the Relevant Company equally or proportionately with such payments to holders of the Shares, or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Relevant 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 (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Relevant Company in respect of Shares that are not fully paid;
- (v) a repurchase by the Relevant Company or any of its subsidiaries of Shares, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Relevant 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 Relevant 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
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the Shares;

"Relevant Company" means, in respect of any Adjustment Asset, the issuer of such Adjustment Asset;

"Shares" means the Adjustment Assets issued by the Relevant Company;

"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 voting shares of the company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant; and

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

10A.2 Adjustments following Certain Events

10A.2.1 Potential Adjustment Event

- (i) Following the declaration by the Relevant Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares, and if so, then the Calculation Agent may: (i) make such corresponding adjustment(s) to the terms of the Securities as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the Share) and (ii) determine the effective date(s) of the adjustment(s); or
- (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, notify the Holders, in accordance with Condition 20, that the Securities shall be cancelled and an amount determined by the Calculation Agent in accordance with Condition 10A.2.8 will be paid by the Issuer in respect of each Security.

10A.2.2 Merger Event and Tender Offer Related Definitions

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

- (i) **"Share-for-Share"** means, (i) in respect of a Merger Event or Tender Offer, that the consideration for the Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, and (ii) a Reverse Merger;
- (ii) **"Share-for-Other"** means, in respect of a Merger Event or Tender Offer, that the consideration for the Shares consists solely of Other Consideration;
- (iii) **"Share-for-Combined"** means, in respect of a Merger Event or Tender Offer, that the consideration for the Shares consists of Combined Consideration;
- (iv) **"New Shares"** means ordinary or common shares whether of the entity or person (other than the Relevant 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 (i) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Disruption Market (or, where the Disruption Market is within the European Union, in any member state of the European Union), and (ii) not subject to any currency exchange controls, trading restrictions or other trading limitations;
- (v) **"Other Consideration"** means cash and/or any securities (other than New Shares) or assets (whether of the entity or person (other than the Relevant Company) involved in the Merger Event or the making of the Tender Offer or a third party); and
- (vi) **"Combined Consideration"** means New Shares in combination with Other Consideration.

10A.2.3 Adjustments following a Share-for-Share Merger Event or Tender Offer

In respect of each Share-for-Share Merger Event or Share-for-Share Tender Offer (as applicable) on or after the relevant Merger Date or relevant Tender Offer Date (as applicable) the Calculation Agent may either:

- (i) (a) make such adjustment to the terms of the Securities as the Calculation Agent determines appropriate to account for the economic effect on the Securities of such Merger Event or Tender Offer (as applicable) (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer (as applicable) by an options exchange, and (b) determine the effective date of that adjustment; or
- (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, notify the Holders, in accordance with Condition 15, that the Securities shall be cancelled and an amount determined by the Calculation Agent in accordance with Condition 10A.2.8 will be paid by the Issuer in respect of each Security.

10A.2.4 Adjustments following a Share-for-Other Merger Event or Tender Offer

Following the occurrence of a Share-for-Other Merger Event or Share-for-Other Tender Offer (as applicable) the Securities may be cancelled as of the Merger Date or the Tender Offer Date (as applicable), in which event the Issuer will pay each Holder an amount per Security determined in accordance with Condition 10A.2.8.

10A.2.5 Adjustments following a Share-for-Combined Merger Event or Tender Offer

In respect of each Share-for-Combined Merger Event or Share-for-Combined Tender Offer (as applicable):

- (a) in respect of that portion of the consideration that consists of New Shares (as determined by the Calculation Agent) the Calculation Agent may either:
 - (i) (a) make such adjustment to the terms of the Securities as the Calculation Agent determines appropriate to account for the economic effect on the Securities of such Merger Event or Tender Offer (as applicable) (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities), which may, but need not be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer (as applicable) by an options exchange, and (b) determine the effective date of that adjustment; or
 - (ii) if the Calculation Agent determines that no adjustment that it could make under (i) will produce a commercially reasonable result, notify the Holders, in accordance with Condition 20, that the Securities may be cancelled and an amount determined by the Calculation Agent in accordance with Condition 10A.2.8 will be paid by the Issuer in respect of each Security.
- (b) in respect of that portion of the consideration that consists of Other Consideration (as determined by the Calculation Agent) each Security may be cancelled as of the Merger Date or Tender Offer Date (as applicable), in which

event the Issuer will pay each Holder an amount per Security in respect of such portion determined in accordance with Condition 10A.2.8.

In respect of any Share-for-Combined Merger Event or Tender Offer (as applicable) (i) to the extent that the Calculation Agent determines that composition of the Combined Consideration could be determined by a holder of such number of Shares as the Calculation Agent determines to be represented by a Security (the "**Relevant Number**") and a holder of the Relevant Number of Shares could receive New Shares as part of the Combined Consideration, the Combined Consideration shall be deemed to be New Shares to the maximum value permitted (as determined by the Calculation Agent), and (ii) if a holder could make any election with respect to the composition of Combined Consideration other than New Shares, the Calculation Agent will, in its sole discretion, determine the composition.

10A.2.6 Settlement following a Merger Event or Tender Offer

If Other Consideration is required to be valued in relation to a Security to which Cash Settlement applies that has been adjusted following a Merger Event or Tender Offer, the Other Consideration will be valued by the Calculation Agent on each Valuation Date. For the avoidance of doubt, the provisions herein relating to Market Disruption Events will not apply to Other Consideration.

If New Shares are required to be delivered in relation to a Security to which Physical Settlement applies that has been adjusted following a Merger Event or Tender Offer, the Issuer shall deliver (or procure the delivery of) the relevant New Shares in accordance with the terms of settlement set out herein, provided that if on the relevant Physical Settlement Date a holder of the Shares would not yet have received the New Shares to which it is entitled, the Physical Settlement Date with respect to such New Shares will be postponed to the first Clearing System Business Day falling on or after the first day on which a holder of the Shares, having received the new Shares, would be able to deliver such New Shares to another party (as determined by the Calculation Agent).

If Other Consideration is required to be delivered in relation to a Security to which Physical Settlement applies that has been adjusted following a Merger Event or Tender Offer, then the Issuer will deliver (or procure the delivery of) the relevant Other Consideration in a commercially reasonable manner (as determined by the Calculation Agent) as soon as reasonably practicable after the later of (i) the relevant Physical Settlement Date, and (ii) the first day on which a holder of the Shares having received the Other Consideration, would be able to deliver such Other Consideration to another party (as determined by the Calculation Agent).

10A.2.7 Nationalisation, Insolvency and Delisting

Upon the occurrence of a Nationalisation, Insolvency or Delisting, the Securities may, at the option of the Issuer, be cancelled as of the Announcement Date in whole or in part, in which event the Issuer will pay each Holder an amount per Security (or part thereof) calculated in accordance with Condition 10A.2.8.

10A.2.8 Cancellation and Payment

Amounts to be determined in accordance with this Condition 10A.2.8 shall be determined by the Calculation Agent in its sole and absolute discretion. For the avoidance of doubt, a Holder shall not be required to pay any amount to the Issuer as a result of the cancellation, in whole or in part, of its Security.

Any amount payable by the Issuer in respect of an Additional Disruption Event or an Extraordinary Event shall be paid not later than three Business Days following the date that notice of the determination by the Calculation Agent of such amount (denominated in the Settlement Currency) as determined by the Calculation Agent is effective.

10A.2.9 *Additional Disruption Events*

"Additional Disruption Event" means an Insolvency Filing or either of the events set forth below:

"Change in Law" means that, on or after the Issue Date (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that (i) it has become illegal to hold, acquire or dispose of Shares or (ii) the Issuer will incur a materially increased cost in performing its obligations under the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); or

"Hedging Disruption" means that the Issuer (or any affiliate of the Issuer) is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of the Issuer entering into and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

10A.2.10 *Consequences of an Additional Disruption Event*

Upon the occurrence of a Change in Law or Insolvency Filing the Issuer may elect to cancel the Securities upon at least two Valuation Business Days' notice given in accordance with Condition 20, specifying the date of such cancellation (or such lesser notice as may be required to comply with the Change of Law), in which event each Security will be cancelled and the Calculation Agent will determine the amount payable by the Issuer to Holders in respect of each Security in accordance with Condition 10A.2.8.

Upon the occurrence of a Hedging Disruption the Issuer may elect, while the Hedging Disruption is continuing, to cancel the Securities, upon at least two Valuation Business Days' notice to Holders, given in accordance with Condition 20, specifying the date of such cancellation, in which event the Calculation Agent will determine the amount payable by the Issuer to Holders in respect of each Security in accordance with Condition 10A.2.8.

10B. **ADJUSTMENTS: INDEX-LINKED SECURITIES**

This Condition 10B is applicable only in relation to Securities specified in the relevant Final Terms as being "Index-Linked Warrants" or "Index-Linked Certificates" (as the case may be) or, if in the relevant Final Terms the Securities are specified as being "Equity Linked and Index-Linked Warrants" or "Equity Linked and Index-Linked Certificates" (as the case may be), this Condition 10B is applicable only in relation to the Deliverable Assets and/or Valuation Assets which are included in an Index.

10B.1 Definitions

For the purposes of this Condition 10B:

"Announcement Date" means, in the case of an Index Disruption or Index Cancellation, the date of the first public announcement by the Index Sponsor of any adjustment or cancellation as described in this Condition 10B that leads to the Index Disruption or Index Cancellation and in the case of an Index Modification, the Exchange Business Day immediately prior to the effective date of the Index Modification;

"Index" has the meaning given in the relevant Final Terms, subject as provided in this Condition 10B;

"Index Publisher" has the meaning given in the relevant Final Terms; and

"Index Sponsor" has the meaning given in the relevant Final Terms.

10B.2 Change of Index Sponsor

If an Index Sponsor ceases to calculate an Index but such Index or another index (which in the opinion of the Calculation Agent is reasonably comparable to such Index) is calculated and publicly announced by another party (the **"Substitute Sponsor"**), then the relevant Index shall mean such Index or, as the case may be, such comparable index as calculated and publicly announced by such Substitute Sponsor.

10B.3 Change of Index Publisher

If an Index Publisher ceases to publish an Index but such Index or another index (which in the opinion of the Calculation Agent is reasonably comparable to the Index) is published by another party (the **"Substitute Publisher"**), then the relevant Index shall mean such Index or, as the case may be, such comparable index as published by such Substitute Publisher.

10B.4 Change in the Index

If an Index Sponsor changes the numerical form or the method of calculation of an Index or in any other way modifies such Index (other than in accordance with the published policies of such Index Sponsor at the date of issue of the Securities), then, for the purposes of the Securities, the Calculation Agent may adjust the formula for calculating such Index (the **"Formula"**) with effect from (and including) the date on which such change or modification takes effect, so that such Index calculated in accordance with such adjustment, would be as near as practicable to that value which it would have been had such change or modification not taken effect, and thereafter the relevant Index and the Formula shall be construed by reference to such Index as so changed and the Formula as so adjusted.

10B.5 No Calculation or Publication of the Index

In the event that an Index is not calculated and/or publicly announced by any person or party on any Valuation Date, then the relevant Settlement Amount shall be calculated by the Calculation Agent based on the formula and method of calculation used in calculating such Index (subject as provided in Condition 10B.4) as of the date such Index was last so calculated using the prices on the relevant Disruption Markets on the relevant day of the Valuation Assets used at the date such Index was last so calculated. If the prices of any such Valuation Assets are not available at the close of business on any relevant

Disruption Market on the relevant day the Calculation Agent shall, to the extent practicable, compute the relevant Settlement Amount on the basis that such Valuation Assets not trading on that date shall be valued at the last publicly reported price at which such Valuation Assets traded.

10B.6 Market Disruption Event

If a Market Disruption Event (as defined in Condition 8) occurs in respect of a security included in an Index at any time, then the Calculation Agent may base the relevant percentage contribution of that security to the level of such Index on a comparison of (i) the portion of the level of such Index attributable to that security and (ii) the overall level of such Index, in each case immediately before the occurrence of such Market Disruption Event.

11. ADJUSTMENTS: BOND SECURITIES

This Condition 11 is applicable only in relation to Securities specified in the relevant Final Terms as being "Bond Securities".

11.1 Conversion

11.1.1 Following the occurrence of any Conversion, the Issuer will, in its sole and absolute discretion, determine whether or not the Securities will continue and, if so, the Calculation Agent will determine, in its sole and absolute discretion, any adjustments to be made.

11.1.2 If the Issuer determines that the Securities shall continue, the Calculation Agent may make such adjustment as it, in its sole and absolute discretion considers appropriate, to the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms, the Bond Security Entitlement (as defined below), the number of Underlying Securities to which each Security relates, the number of Underlying Securities comprised in a Basket, the amount, number of or type of bonds or other debt securities which may be delivered under such Securities and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment.

11.1.3 If the Issuer determines that the Securities shall be terminated, then the Securities shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Holders to receive Underlying Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise, shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Conversion Settlement Amount.

11.1.4 For the purposes hereof:

"Conversion" means, as determined by the Calculation Agent, acting in a commercially reasonable manner, in respect of any relevant Underlying Securities any irreversible conversion by the Underlying Security Issuer, of such Underlying Securities into other securities.

"Conversion Settlement Amount" means an amount which the Calculation Agent, acting in a commercially reasonable manner, determines is the fair value to the Holder of a Security with terms that would preserve the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Holder would have been entitled under the Security but for the occurrence of the Conversion, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Calculation Agent in its sole and absolute discretion.

11.2 **Correction to published prices**

For the purposes of determining the Spot Price for any day, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Cash Settlement Amount or any other amount in respect of a Bond Security, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine a Spot Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty days of the original publication or announcement, and the Calculation Agent determines (in its sole and absolute discretion) that an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Holder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was made, to but excluding the day of payment of the refund or payment resulting from that correction (all as determined by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Securities Agent and shall be notified to the relevant Holder(s) by facsimile or telex to the number specified in the relevant Exercise Notice.

11.3 In relation to Bond Securities, the following expressions have the meanings set out below:

"Exchange" means each securities exchange or trading market specified as such in the relevant Final Terms (including any successor to that securities exchange or trading market) for so long as the Underlying Securities are listed or otherwise included in that securities exchange or trading market. If the specified Exchange ceases to list or otherwise include the Underlying Securities and the Underlying Securities are listed or otherwise included in any other securities exchange or trading market, the Calculation Agent will, in its sole and absolute discretion, select an alternative securities exchange or trading market;

"Exchange Business Day" means in respect of any Bond Security, any day that is a trading day on the Exchange (or on each Exchange if more than one is specified) other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time;

"Spot Price" means, in respect of any Bond Security:

- (i) if the Strike Price is stated as an amount in the relevant currency, the price for the Underlying Securities, stated as an amount in the relevant currency, equal in amount to the nominal amount (the **"Bond Security Entitlement"**) specified

in the relevant Final Terms of the relevant Underlying Assets to which one Security relates; and

- (ii) if the Strike Price is stated as a percentage of the nominal value of the Underlying Securities, the price of the Underlying Assets stated as a percentage of their nominal value,

in each case, as of the Valuation Time on the relevant Exercise Date, as determined by the Calculation Agent in its sole and absolute discretion; and "**Valuation Time**" means in the case of Bond Securities, the time specified as such in the relevant Final Terms.

12. **ADJUSTMENTS: CURRENCY SECURITIES**

This Condition 12 is applicable only in relation to Securities specified in the relevant Final Terms as being "Currency Securities".

12.1 **Valuation Date**

"**Valuation Date**" means, in respect of any Series of Currency Securities, the date(s) specified as such in the relevant Final Terms provided that where the Valuation Date is not a Currency Business Day then the Valuation Date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms. Unless otherwise specified in the relevant Final Terms and subject to Condition 12.2, the Valuation Date will be the two Currency Business Days prior to the Exercise Date.

12.2 **Averaging**

If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the determination of the Settlement Rate in relation to a Valuation Date:

- 12.2.1 "**Averaging Date**" means, in respect of a Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms, provided that if any such date is not a Currency Business Day, such date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms.
- 12.2.2 For purposes of determining the Settlement Rate in relation to a Valuation Date, the Settlement Rate will be the arithmetic mean of the Spot Rates on each Averaging Date (or, if different, the day on which rates for each Averaging Date would, in the ordinary course, be published or announced by the relevant price source).
- 12.2.3 Unless otherwise specified in the relevant Final Terms, in the case where it becomes impossible to obtain the Spot Rate on an Averaging Date (or, if different, the day on which rates for that Averaging Date would, in the ordinary course, be published or announced by the relevant price source), such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Rate. If through the operation of this Condition 12.2.3, there would not be an Averaging Date with respect to the relevant Valuation Date, the provisions of Conditions 12.3 and 12.4 shall apply for purposes of determining the relevant Spot Rate on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Price Source Disruption had occurred.

12.3 Currency Disruption Events

12.3.1 If so specified in the Final Terms relating to any Series of Securities, the following shall constitute **"Currency Disruption Events"** for the purposes of such Series:

- (i) **"Price Source Disruption"**, which means it becomes impossible, as determined by the Calculation Agent, acting in a commercially reasonable manner, to determine the Settlement Rate on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source in accordance with the relevant price source); and
- (ii) any other (if any) Currency Disruption Event specified in the relevant Final Terms.

12.3.2 If the relevant Final Terms specifies that any Currency Disruption Event shall be applicable to such Series, then, where the Calculation Agent determines, acting in a commercially reasonable manner, that such Currency Disruption Event has occurred and is continuing in respect of such Series:

- (i) in the case of Price Source Disruption, on the day that is the Valuation Date in respect of such Series (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source); and
- (ii) in the case of any other Currency Disruption Event, on such day as may be specified for this purpose in the relevant Final Terms, then the Settlement Rate for such Series will be determined, or the Securities of such Series shall be settled following exercise, as the case may be, in accordance with the terms of the Currency Disruption Fallback first applicable pursuant to Condition 12.4.

12.4 Currency Disruption Fallbacks

12.4.1 If so specified in the Final Terms relating to any Series of Securities, the following shall constitute **"Currency Disruption Fallbacks"** for the purposes of such Series, and the relevant Final Terms shall specify which Currency Disruption Fallback(s) shall apply to such Series, to which Currency Disruption Event each such Currency Disruption Fallback shall apply and, where more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallback(s) shall apply to such Currency Disruption Event.

- (i) **"Calculation Agent Determination of Settlement Rate"** means that the Calculation Agent will determine, in its sole and absolute discretion, the Settlement Rate (or a method for determining the Settlement Rate), taking into consideration all available information that it deems relevant;
- (ii) **"Fallback Reference Price"** means, in respect of Price Source Disruption or any other Currency Disruption Event, that the Calculation Agent will determine, in its sole and absolute discretion, the Settlement Rate for such Series on the relevant Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be

published or announced) pursuant to the Settlement Rate Option referred to as Currency- Reference Dealers (save that, if so specified in the relevant Final Terms, the reference in the definition of Currency-Reference Dealers to the Cash Settlement Payment Date shall be a reference to such date as is specified for such purpose in the relevant Final Terms) or pursuant to such other Settlement Rate Option as may be specified in the relevant Final Terms; and

- (iii) any other currency disruption fallbacks specified in the relevant Final Terms.

12.4.2 Where more than one Currency Disruption Event occurs or exists or is deemed to occur or exist, then, unless the relevant Final Terms has specified which Currency Disruption Fallback shall apply in such circumstances, the Calculation Agent shall determine, in its sole and absolute discretion, which Currency Disruption Fallback shall apply.

12.5 In relation to Currency Securities, the following expressions have the meanings set out below:

"Basket" means a basket composed of each Reference Currency specified in the relevant Final Terms;

"Currency Business Day" means, unless otherwise specified in the relevant Final Terms, for the purposes of:

- (i) the definition of Cash Settlement Payment Date, in respect of any Series of Securities: any day (1) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (a) in New York City or London, or (b) in relation to sums payable in currencies other than U.S. dollars, euro or Australian dollars, in the principal financial centre of the country of the relevant currency, (c) in relation to sums payable in Australian dollars, in Sydney and (2) in relation to sums payable in euro, a day that is also a TARGET Settlement Day;
- (ii) the definition of Valuation Date in Condition 12.1, in respect of any Currency Security: (1) a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Principal Financial Centre(s) or (2) where the currency to be valued is euro, a day that is a TARGET Settlement Day and a Business Day; and
- (iii) the definition of Exercise Date, Exercise Period and Expiration Date, in respect of any Currency Security: (1) a day on which commercial banks are open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) and (2) where one of the Currency Pair is euro, a day that is a TARGET Settlement Day;

"Currency Pair" means, in respect of any Currency Security, the Reference Currency and the Settlement Currency;

"Currency-Reference Dealers", in respect of any Currency Security, is a Settlement Rate Option which means that the Spot Rate for a Rate Calculation Date will be determined on the basis of quotations provided by Reference Dealers on that Rate

Calculation Date of that day's Specified Rate, expressed as the amount of Reference Currency per one unit of Settlement Currency for the purposes of calculating the Cash Settlement Amount. The Calculation Agent will request the Specified Office of each of the Reference Dealers to provide a firm quotation of its Specified Rate for a transaction where the amount of Reference Currency equals the Specified Amount. If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates, without regard to the Specified Rates having the highest and lowest value. If exactly three quotations are provided, the rate for a Rate Calculation Date will be the Specified Rate provided by the Reference Dealer that remains after disregarding the Specified Rates having the highest and lowest values. For this purpose, if more than one quotation has the same highest value or lowest value, then the Specified Rate of one of such quotations shall be disregarded. If exactly two quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates. If only one quotation is provided, the rate for a Rate Calculation Date will be the Specified Rate quoted by that Reference Dealer.

The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case at the Specified Time on that Rate Calculation Date or, if no such time is specified, the time chosen by the Calculation Agent;

"Rate Calculation Date" means any Valuation Date or Averaging Date (as defined in Conditions 12.1 and 12.2 respectively);

"Reference Currency" means the currency specified as such in the relevant Final Terms;

"Reference Currency Jurisdiction" means the jurisdiction specified as such in the relevant Final Terms;

"Settlement Rate" means the rate as determined by the Calculation Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms and, where applicable shall be determined in accordance with Condition 12.2;

"Settlement Rate Option" means for the purposes of calculating the Settlement Rate, the Settlement Rate Option specified in the relevant Final Terms (or deemed specified pursuant to Condition 12.4);

"Specified Amount" means the amount of Reference Currency specified as such in the relevant Final Terms;

"Specified Rate" means any of the following rates, as specified in the relevant Final Terms: (i) the Reference Currency bid exchange rate, (ii) the Reference Currency offer exchange rate, (iii) the average of the Reference Currency bid and offer exchange rates, (iv) the Settlement Currency bid exchange rate, (v) the Settlement Currency offer exchange rate, (vi) the average of the Settlement Currency bid and offer exchange rates, (vii) the official fixing rate or (viii) any other exchange rate specified in the relevant Final Terms. If no such rate is specified, the Specified Rate will be deemed to be the average of the Reference Currency bid and offer rate; and

"Spot Rate" means for any Valuation Date thereof, the relevant currency exchange rate determined in accordance with the specified (or deemed specified) Settlement Rate Option and, if a Settlement Rate Option is not specified (or deemed specified), the currency exchange rate at the time at which such rate is to be determined for foreign exchange transactions in the Currency Pair for value on the relevant Valuation Date, as

determined in good faith and in a commercially reasonable manner by the Calculation Agent.

13. **ADJUSTMENTS: COMMODITY SECURITIES**

This Condition 13 is applicable only in relation to Securities specified in the relevant Final Terms as being "Commodity Securities".

13.1 **Corrections to published prices**

For the purposes of determining the Relevant Price for any Pricing Date, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Cash Settlement Amount or any other amount in respect of a Commodity Security, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine such Relevant Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty days of the original publication or announcement, and the Calculation Agent determines (in its sole and absolute discretion) that an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Holder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was made, to but excluding the day of payment of the refund or payment resulting from that correction (all as determined by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Securities Agent and shall be notified to the relevant Holder(s) by facsimile or telex to the number specified in the relevant Exercise Notice.

13.2 **Commodity Disruption Events**

13.2.1 If so specified in the Final Terms relating to any Series of Commodity Securities, the following shall constitute "**Commodity Disruption Events**" for the purposes of such Series:

- (i) "**Price Source Disruption**", which means (i) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, (ii) the temporary or permanent discontinuance or unavailability of the Price Source, (iii) if the Commodity Reference Price is "**Commodity-Reference Dealers**", the failure to obtain at least three quotations from the relevant Reference Dealers or (iv) if Price Materiality Percentage is specified in the applicable Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price "**Commodity-Reference Dealers**" by such Price Materiality Percentage;
- (ii) "**Trading Disruption**", which means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. The determination of whether a suspension of or limitation on trading is material shall be made by the Calculation Agent in its sole and absolute discretion;

- (iii) **"Disappearance of Commodity Reference Price"**, which means (i) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange or (ii) the disappearance of, or of trading in, the relevant Commodity or (iii) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity;
- (iv) **"Material Change in Content"**, which means the occurrence since the Initial Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract;
- (v) **"Material Change in Formula"**, which means the occurrence since the Initial Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price;
- (vi) **"Tax Disruption"**, which means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measure by reference to, the relevant Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Initial Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal;
- (vii) **"Trading Limitation"**, which means the material limitation imposed on trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any exchange or principal trading market as specified in the relevant Final Terms; and
- (viii) any other (if any) commodity disruption event specified in the relevant Final Terms.

13.2.2 If the relevant Final Terms specifies that any Commodity Disruption Event shall be applicable to such Series, then, where the Calculation Agent determines, acting in a commercially reasonable manner, that such Commodity Disruption Event has occurred and is continuing in respect of such Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then the Relevant Price will be determined, or the Securities of such Series shall be settled following exercise, as the case may be, in accordance with the terms of the Commodity Disruption Fallback first applicable pursuant to Condition 13.3.

13.3 Commodity Disruption Fallbacks

Where one or more Commodity Disruption Events occurs or exists, then unless the relevant Final Terms specifies that any other Commodity Disruption Fallback shall apply in respect of any Commodity Disruption Event, "Calculation Agent Determination" shall apply.

"Calculation Agent Determination" means that the Calculation Agent will determine, in its sole and absolute discretion, the Relevant Price (or a method for determining the Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

13.4 Common Pricing

With respect to Securities relating to a Basket of Commodities, if "Common Pricing" has been selected in the applicable Final Terms as:

- 13.4.1 **"Applicable"**, then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Pricing Date) are scheduled to be published or announced, as determined as of the time of issue of the Securities.
- 13.4.2 **"Inapplicable"**, then if the Calculation Agent determines that a Commodity Disruption Event has occurred or exists on the Pricing Date in respect of any Commodity in the Basket (the **"Affected Commodity"**), the Relevant Price of each Commodity within the basket which is not affected by the occurrence of a Commodity Disruption Event shall be determined on its scheduled Pricing Date and the Relevant Price for each Affected Commodity shall be determined in accordance with the first applicable Commodity Disruption Fallback that provides a Commodity Reference Price.

13.5 Commodity Index Disruption Events

- 13.5.1 The following shall constitute **"Commodity Index Disruption Events"** for the purposes of any Series of Securities with respect to a Commodity Index:
 - (i) a temporary or permanent failure by the applicable exchange or other price source to announce or publish the final settlement price for the Commodity Index; or
 - (ii) the occurrence in respect of any Component of the relevant Commodity Index of a Commodity Disruption Event (as defined in Condition 13.2.1) a material limitation, suspension or disruption of trading in one or more of the Futures Contracts included in the Commodity Reference Price which results in a failure by the exchange on which each applicable Futures Contract is traded to report a closing price for such contract on the day on which such event occurs or any succeeding day on which it continues.
- 13.5.2 Where the Calculation Agent determines, acting in a commercially reasonable manner, that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then (unless Condition 13.5.3 is specified to apply) the following provisions shall apply:
 - (i) with respect to each Component which is not affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Calculation Agent based on the closing prices of each Component on the applicable Pricing Date;

- (ii) with respect to each Component which is affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Calculation Agent (in the case of any Dow Jones-AIG Commodity Index) as set out in the DJ-AIGCI Manual or (in the case of any GS Commodity Index) as set out in the GSCI Manual, and in respect of any other Commodity Index as set out in the applicable Final Terms, in each case based on the closing prices of each such Component on the first day following the applicable Pricing Date on which no Commodity Index Disruption Event occurs with respect to such Component;
- (iii) subject to (d) below, the Calculation Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the relevant Commodity Index; and
- (iv) where a Commodity Index Disruption Event with respect to one or more Components continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Calculation Agent shall determine the Relevant Price acting in good faith and in a commercially reasonable manner. In calculating the Relevant Price as set out in this paragraph, the Calculation Agent shall use the formula for calculating the relevant Commodity Index last in effect prior to the Commodity Index Disruption Event. For the purposes of this paragraph 13.5.2(iv), "**Trading Day**" shall mean a day when the exchanges for all Futures Contracts included in the relevant Commodity Index are scheduled to be open for trading.

13.5.3 *Physical Hedging Fallback.* Where the Calculation Agent determines that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series and "Physical Hedging Fallback" is specified as applicable in the relevant Final Terms, then the following provisions shall apply:

- (i) with respect to each Component included in the Commodity Reference Price which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date;
- (ii) with respect to each Component included in the Commodity Reference Price which is affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing price of each such Component on the first day following the applicable determination date on which no Commodity Index Disruption Event occurs with respect to such Component;
- (iii) subject to (iv) below, the Calculation Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the Relevant Price; and
- (iv) where a Commodity Index Disruption Event with respect to one or more Components included in the Commodity Reference Price continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Calculation

Agent shall determine the Relevant Price in good faith and in a commercially reasonable manner. For the purposes of this 13.5.3(iv), **"Trading Day"** shall mean a day when the exchanges for all Futures Contracts included in the relevant Commodity Reference Price are scheduled to be open for trading with respect to each Futures Contract included in the Commodity Reference Price which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such contract on the applicable determination date.

13.6 Adjustments to Commodity Index

13.6.1 If a Commodity Index is permanently cancelled or is not calculated and announced by the sponsor of such Commodity Index or any of its affiliates (together the **"Index Sponsor"**) but (i) is calculated and announced by a successor sponsor (the **"Substitute Sponsor"**) acceptable to the Calculation Agent, or (ii) replaced by a successor index (the **"Substitute Index"**) using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such Commodity Index, then the Commodity Reference Price will be determined by the Index so calculated and announced by that Successor Sponsor or that Successor Index, as the case may be.

13.6.2 If, for a Commodity Index with respect to a Commodity Reference Price, on or prior to the Maturity Date or Early Redemption Date, (i) the Sponsor makes a material change in the formula for or the method of calculating such Commodity Index or in any other way materially modifies such Commodity Index (other than a modification prescribed in that formula or method to maintain the Commodity Index in the event of changes in constituent commodities and weightings and other routine events), or (ii) the Sponsor permanently cancels the Commodity Index or (iii) the Sponsor fails to calculate and announce the Commodity Index for a continuous period of three Trading Days and the Calculation Agent determines that there is no Successor Sponsor or Successor Index, then the Calculation Agent may at its option (in the case of (i)) and shall (in the case of (ii) and (iii)) (such events (i) (ii) & (iii) to be collectively referred to as **"Index Adjustment Events"**) calculate the Relevant Price using in lieu of the published level for that Commodity Index (if any), the level for that Commodity Index as at the relevant determination date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Commodity Index last in effect prior to the relevant Index Adjustment Event (as the case may be), but using only those Futures Contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (as the case may be) (other than those futures contracts that have ceased to be listed on any relevant exchange).

13.7 In relation to Commodity Securities, the following expressions have the meanings set out below:

"Basket" means a basket composed of each Commodity specified in the relevant Final Terms;

"Commodity" means each commodity specified in the relevant Final Terms;

"Commodity Index" means an index comprising commodities specified as such in the relevant Final Terms **"Commodity Business Day"** means:

- (i) in the case where the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Commodity Disruption Event, would have been) a trading day on that Exchange; and
- (ii) in the case where the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Commodity Disruption Event, would have published) a price;

"Commodity Reference Price" means the commodity reference price(s) specified in the relevant Final Terms;

"Component" means in respect of a Commodity Index, each commodity or Futures Contract comprising such Commodity Index;

"Delivery Date" means the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as specified in, or determined in accordance with the provisions in, the relevant Final Terms. In relation to any underlying Commodity which is specified in the relevant Final Terms to be a "Non Metal" and each Pricing Date, the relevant Delivery Date shall be the month of expiration of the first Futures Contract to expire following such Pricing Date. In relation to any underlying Commodity which is specified in the applicable Final Terms to be a "Base Metal" or a "Precious Metal" and each Pricing Date, the Delivery Date shall be such Pricing Date;

"Exchange" means each exchange or principal trading market specified in the relevant Final Terms, or any successor to such exchange or principal trading market;

"Futures Contract" means, in respect of any Commodity Security, the contract for future delivery in respect of the relevant Delivery Date relating to the relevant Commodity, or in the case of a Commodity Security relating to a Commodity Index, each of the contracts for future delivery underlying or included in the relevant Commodity Index;

"GS Commodity Index" means the Goldman Sachs Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Goldman, Sachs & Co., or any successor to such sponsor;

"GSCI Manual" means the manual or handbook in respect of a GS Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

"Price Source" means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the relevant Final Terms;

"Pricing Date" means, in respect of any Commodity Security, each date specified as such (or determined pursuant to a method specified for such purpose) for such Commodity Security;

"Relevant Price" on any day means in respect of a unit of measure of the Commodity to which a Commodity Security relates, the price, expressed as a price per unit, determined by the Calculation Agent as provided in the relevant Final Terms with respect to the Pricing Date for the specified Commodity Reference Price; and

"Specified Price" means any of the following prices of a Commodity or Commodities or levels of a Commodity Index (which must be a price reported or capable of being determined from information reported in or by the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified) (a) the high price (b) the low price (c) the average of the high price and the low price (d) the closing price (e) the opening price (f) the bid price (g) the asked price (h) the average of the bid price and the asked price (i) the settlement price (j) the official settlement price (which shall be the Specified Price for any Commodity Index, and for any Commodity specified in the applicable Final Terms as a "Non Metal") (k) the official price (l) the morning fixing (m) the afternoon fixing (which shall be the Specified Price in respect of any Commodity specified in the applicable Final Terms as a "Precious Metal") (n) the spot price or (o) any other price specified in the applicable Final Terms. The Specified Price for any Commodity specified in the applicable Final Terms as a "Precious Metal" shall be the official cash bid price.

14. **OPTIONAL EARLY REDEMPTION**

This Condition 14 shall apply to Open-ended Securities only.

14.1 **Optional Early Redemption**

If this Condition 14 is specified in the relevant Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not some only) of the Securities of the relevant Series.

14.2 **Notice of Optional Early Redemption**

The appropriate notice referred to in Condition 14.1 is a notice given by the Issuer to the Calculation Agent, the Programme Agent and the Holders of the Securities of the relevant Series (in accordance with Condition 20), which notice shall specify:

- (a) the title of the Series of Securities subject to redemption; and
- (b) the due date for such redemption (the **"Optional Early Redemption Date"**), which shall be a Business Day which is not less than thirty days, or such other number of days as may be specified in the relevant Terms, after the date on which such notice is validly given in accordance with Condition 20.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

15. **ILLEGALITY**

The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (**"applicable law"**). In such circumstances the Issuer will, if and to the extent permitted by applicable law, pay to

each Holder in respect of each Security held by him an amount determined by the Calculation Agent as representing the fair market value of such Security immediately prior to such termination (ignoring such illegality). Payment will be made to the Relevant Clearing System in respect of Securities held in a Clearing System, or to the Registrar in respect of Non Cleared Securities, in such manner as shall be notified to the Holders in accordance with Condition 20.

16. PURCHASE BY THE ISSUER

The Issuer may at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held, surrendered for cancellation or reissued or resold, and Securities so reissued or resold shall for all purposes be deemed to form part of the original series of Securities.

17. PROGRAMME AGENTS AND CALCULATION AGENT

The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent or any Programme Agent, provided that (a) so long as any Security which is held in a Clearing System is outstanding, there will at all times be a Principal Programme Agent and a Calculation Agent, (b) so long as any Non Cleared Security is outstanding, there will at all times be a Registrar and a Calculation Agent, and (c) so long as any Securities are listed on the Official List of the Luxembourg Stock Exchange (or any other stock exchange), there will be a Programme Agent with a specified office in Luxembourg (or in such other place as is required by the rules of such other stock exchange). Notice of any termination of appointment and of any changes in the specified office of a Programme Agent or a Calculation Agent will be given to Holders in accordance with Condition 20. In acting under the Programme Agreement, each Programme Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders.

18. LIMITED RECOURSE

If this Condition 18 is specified in the relevant Final Terms as being applicable then, to the extent that any sums in the Relevant Currency or any Deliverable Assets or any cash dividends in respect of any Adjustment Assets are not actually received by the Issuer, the Guarantor or any of their affiliates pursuant to the Hedge Positions in sufficient time to enable the Issuer to pay the Settlement Amount in full on the Settlement Date, or the Physical Settlement Disruption Amount in full on the due date therefor, or any cash dividends or, as the case may be, to deliver the Deliverable Assets in full on the Physical Settlement Date, the Issuer's obligation to pay the Settlement Amount, cash dividends or the Physical Settlement Disruption Amount, or to deliver the Deliverable Assets under the Securities, and any Holders' entitlement to secure the Settlement Amount, cash dividends, the Physical Settlement Disruption Amount or the Deliverable Assets in respect of the Securities, is strictly limited to such amounts or Deliverable Assets actually obtained and received by the Issuer under such Hedge Positions, and payment or delivery of Deliverable Assets to Holders (if any) shall only be made following such time and to the extent that the Issuer is in full possession and receipt of amounts or Deliverable Assets under such Hedge Positions.

19. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Securities so as to form a single series with the Securities of any particular series.

20. **NOTICES**

- 20.1 In respect of Euroclear/Clearstream Securities, all notices to Holders of such Securities will be valid if notified to Euroclear and Clearstream, Luxembourg (save where another means of effective communication has been specified in the relevant Final Terms).
- 20.2 In respect of VPC Registered Securities, the Swedish Programme Agent shall, upon receipt of instructions from the Issuer, forward information and notices that the Swedish Programme Agent has obtained from the Issuer to the VPC Holders. Such notices may, at the discretion of the Issuer, either be published in at least one Swedish daily newspaper with nation-wide coverage in the Kingdom of Sweden or be sent to the Swedish Programme Agent who will forward the notice to the VPC System for delivery to each VPC Holder according to the address in the VPC Register.
- 20.3 In respect of Securities that are listed on the Official List of the Luxembourg Stock Exchange (or any other stock exchange) and the rules of such exchange so require, all notices to the Holders of such Securities will be valid if published in a daily newspaper of general circulation in Luxembourg which is expected to be the *d'Wort* (or such other publication as required by the rules of such other stock exchange) or on the website of the Luxembourg Stock Exchange (www.bourse.lu).
- 20.4 In respect of Non-Cleared Securities, all notices to Non-Cleared Holders of such Securities will be valid if made publicly available on the Issuer's web site and/or by electronic communication to the relevant Non-Cleared Holders (save where another means of effective communication has been specified in the relevant Final Terms).

Any such notice shall be deemed to have been given on the date of such notification or publication or, if notified or published more than once, on the date of the first such notification or publication.

21. **AMENDMENTS**

- 21.1 The Programme Agreement may be amended by the parties thereto without the consent of the Holders if, in the opinion of such parties, the amendment will not materially and adversely affect the interests of the Holders.
- 21.2 The Securities may be amended by the Issuer with the approval of the Calculation Agent but without the consent of the Holders if (A) in the reasonable opinion of the Issuer and the Calculation Agent the amendment (a) is of a formal, minor or technical nature, or (b) is made to correct a manifest error or omission, or (c) will not materially and adversely affect the interests of the Holders or (B) if it has come to the attention of the Issuer that the terms of the relevant Securities contain an error or omission such that they do not represent the intended terms of such Securities on the basis of which they were sold and have since traded.

For the avoidance of doubt, this Condition 21 shall not apply to any adjustments made in accordance with Condition 10. Any amendments in accordance with this Condition 21 shall take effect by notice to the Holders in accordance with Condition 20.

22. **SUBSTITUTION**

Each of the Issuer and the Calculation Agent may at any time, without the consent of the Holders, assign or delegate all of its rights and obligations under the Securities, in whatever form it determines may be appropriate, to a partnership, corporation, trust or

other organisation in whatever form which succeeds to all or substantially all of its assets and business and which assumes such obligations by contract, operation of law or otherwise, whereupon each of them shall be relieved of and fully discharged from all obligations under the Securities, whether such obligations arose before or after such assignment or delegation and assumption.

23. PRESCRIPTION

Claims against the Issuer or, as the case may be, the Guarantor for payment in respect of the Securities shall be prescribed and become void unless made within five years from the Settlement Date and no claims shall be made after such date.

24. TAXATION

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other similar payment which may arise as a result of the ownership, transfer or exercise of any Securities.

25. GOVERNING LAW

The Securities shall be governed by and construed in accordance with the laws of England. The Guarantee shall be governed by and construed in accordance with New York law.

26. THIRD PARTY RIGHTS

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of the Securities will be used in the general business of the Issuer.

GOLDMAN SACHS INTERNATIONAL

General Information on the Issuer

Goldman Sachs International (the "**Issuer**") is a leading international investment banking organisation. Its activities and sources of revenue include and are derived from securities underwriting and distribution; trading of corporate debt and equity securities, non-U.S. sovereign debt and mortgage securities; execution of swaps and derivative instruments; mergers and acquisitions; financial advisory services for restructurings, private placements and lease and project financings; real estate brokerage and finance; merchant banking and stock brokerage and research. Services are provided worldwide to a substantial and diversified client base which includes corporations, financial institutions, governments and individual investors.

The Issuer is an English company formed on 2 June 1988 and is successor to a company formed in 1966. The Issuer was re-registered as a private unlimited liability company in England and Wales with the Registrar of Companies on 25 February 1994 (registration number 02263951), having previously been registered as a limited liability company under the name "Goldman Sachs International Limited". The Issuer is regulated by The Financial Services Authority (the "**FSA**"), and is an authorised person under the Financial Services and Markets Act 2000 of the United Kingdom (the "**FSMA**"), and is subject to their rules. The Issuer and certain of its affiliates are members of various exchanges and are subject to their rules, including those of the London Stock Exchange plc and the London International Financial Futures and Options Exchange. Certain affiliates of the Issuer are also subject to regulation by the FSA.

Goldman Sachs Holdings (U.K.) is an unlimited liability company incorporated under the laws of England and has a 99% shareholding in Goldman Sachs International. Goldman Sachs Group Holdings (U.K.) is an unlimited liability company incorporated under the laws of England and beneficially owns 100% of the shares in Goldman Sachs Holdings (U.K.). Goldman Sachs (UK) L.L.C. is a U.S. limited liability company established under the laws of the State of Delaware and has a 100% shareholding in Goldman Sachs Group Holdings (U.K.). The Goldman Sachs Group, Inc. is a U.S. corporation established under the laws of the State of Delaware and has a 100% interest in Goldman Sachs (U.K.) L.L.C.

As set out in clause 3 of its Memorandum of Association, the Issuer's principal objects include carrying on the business of stock brokers or dealers in securities, investment banking and investment management and advising, subscribing for securities or investments of any kind, underwriting, or investing the money of the Issuer.

The registered office of the Issuer is Peterborough Court, 133 Fleet Street, London EC4A 2BB England, telephone number +44 20-7774-1000.

Capitalisation

The Issuer is authorised to issue 950,000,000 ordinary shares of US\$1 each ("**Ordinary Shares**"), 1,500,000,000 A preference shares of US\$0.01 each ("**A Preference Shares**") and 500,000,000 B preference shares of US\$0.01 each ("**B Preference Shares**"). As at 24 November 2006, the Issuer has issued 474,758,760 Ordinary Shares, 958,659,363 A Preference Shares and 227,906,933 B Preference Shares. The issue of additional shares by the Issuer shall be at the discretion of the Directors of the Issuer in accordance with Article 2(G) of the Articles of Association of the Issuer. All of the issued shares are fully paid and are owned by Goldman Sachs Holdings (U.K.) and Goldman Sachs Group Holdings (U.K.).

There has been no material change in the trading position of the Issuer since 24 November 2006.

Corporate Governance

The Issuer complies with the corporate governance regime applicable under the laws of England.

Management of the Issuer

The directors of the Issuer and their business occupations and business addresses are as follows:

Name	Occupation	Business Address
Glenn P. J. Earle	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Christopher G. French	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Douglas C. Grip	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Peter D. Sutherland KCMG	Investment Banker	1 St. James's Square London SW1Y 4PD
Stephen C. Fitzgerald	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Michael S. Sherwood	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Yoel Zaoui	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Richard J. Gnodde	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB
Matthew L. Westerman	Investment Banker	Peterborough Court 133 Fleet Street London EC4A 2BB

The Directors of the Issuer do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Issuer.

Audit Committee

The following are the members of the audit committee of the Issuer:

Brian Griffiths

Glenn Earle

Ed Eisler

Fergal O'Driscoll

Douglas Henderson

Antonio Borges

Theodore Sotir

Jean de Pourtales

David Greenwald

David Wilson – Counsel to the Audit Committee

The audit committee is responsible, through presentations made to it and discussions with the relevant personnel and the external auditors, for:

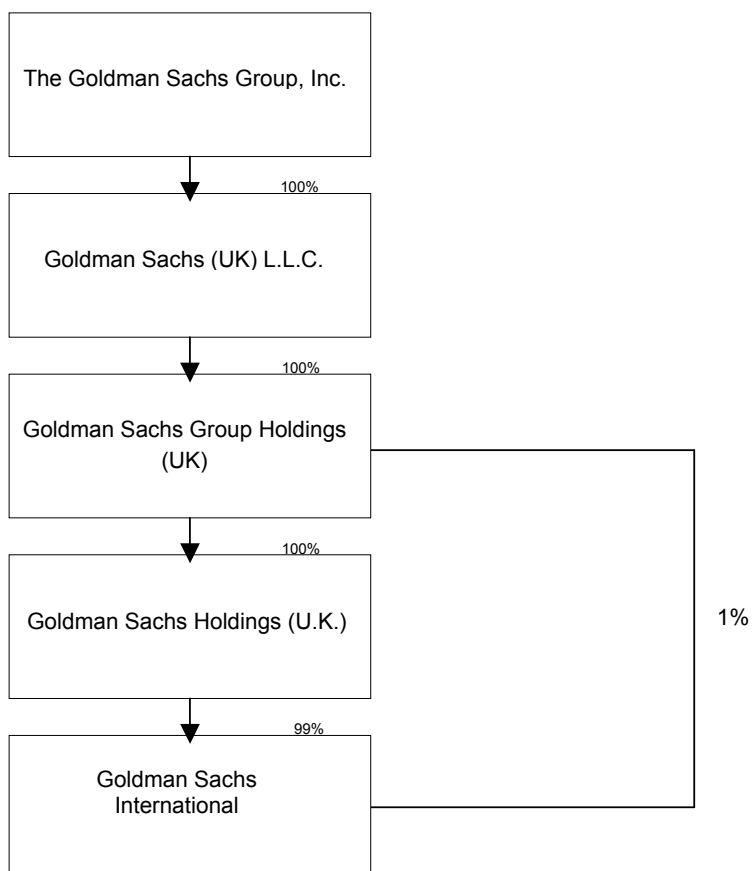
- reviewing processes for ensuring the appropriateness and effectiveness of the systems and controls of the Issuer;
- examining the arrangements in place to ensure compliance with the requirements and standards of all applicable laws and regulations;
- overseeing the functioning of the external and internal audit function, including encouraging internal and external auditors to work together to comprehensively identify requirements applicable to the Companies' various activities;
- overseeing the operation of the operational risk management policies and practices of the Issuer;
- considering (i) internal incident review on an overview basis, (ii) policy development, and (iii) periodic presentations about business area risk control.
- receiving periodic reports from the relevant personnel of the Issuer who have responsibility for aspects of its systems and controls with such frequency as the audit committee deems necessary and appropriate;
- considering the appropriateness of the arrangements in place for ensuring business continuity in the event of unforeseen interruption; and
- providing regular updates and information to the boards of directors of the Issuer and the European Management Committee of the Goldman Sachs Group of Companies and escalating issues to these bodies as appropriate.

There are no potential conflicts of interest between any duties owed by the Board of Directors to the Issuer and their private interests and/or other duties.

The mission of the EACC is to review processes for ensuring the suitability and effectiveness of the systems and controls of the Goldman Sachs FSA regulated companies (the "**Companies**"). These legal entities are currently:

- Goldman Sachs Europe
- Goldman Sachs International
- Goldman Sachs International Bank
- Goldman Sachs Asset Management International
- Reviews our business practices, policies and procedures
- Evaluates internal and external incidents
- Makes recommendations for improvements in these areas including communication and training programs so as to mitigate potential risk and to promote the firm's business principles
- Addresses Issues raised by Compliance and MCD
- Reviews internal incident reports, policy development and business area risk controls
- Receives periodic reports from FSA Significant Influence Control Functions and others with responsibility for aspects of the systems and controls of the Companies, including:
 - Compliance Officers
 - Money Laundering Reporting Officer
 - Treasury/Controllers/Operations
 - Credit
 - Tax
 - Legal
- Considers the appropriateness of the arrangements in place for ensuring business continuity in the event of unforeseen interruption
- Is the designated committee of the UK regulated companies to approve material aspects of the credit rating and estimation process

HOLDING COMPANY STRUCTURE OF GOLDMAN SACHS INTERNATIONAL



Note: The percentages given are for direct holdings of ordinary shares or equivalent. Minority shareholdings are held by other Goldman Sachs entities which are themselves owned, directly or indirectly, by The Goldman Sachs Group, Inc.

SELECTED FINANCIAL INFORMATION OF GOLDMAN SACHS INTERNATIONAL

The following tables set out in summary form the balance sheet and profit and loss account relating to the Issuer. Such information is derived from the audited financial statements of the Issuer for the 52 week period ended as at 24 November 2006, which have been audited by PricewaterhouseCoopers LLP and on which PricewaterhouseCoopers LLP issued an unqualified audit report.

Pursuant to Article 23.4 of Commission Regulation (EC) No. 809/2004 (the "**Prospectus Directive Regulation**"), cash flow statements may be omitted from this Base Prospectus because, having regard to the information already included in the Base Prospectus and the nature of the Warrants and Certificates that may be issued under the Programme, a cash flow statement of the kind provided for in the Prospectus Directive Regulation will not provide prospective investors with meaningful additional information for the purposes of their assessment of the Issuer or the Securities that may be issued, and including such information would be non pertinent for the purposes of such assessment.

The financial statements of the Issuer are prepared in accordance with UK GAAP, which differs in certain respects from International Accounting Standards. The financial statements of the Issuer for the 52 week period ended as at 24 November 2006, together with the accompanying notes and auditor's report are set out in full in A-1 of this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, the notes thereto and report thereon.

PROFIT AND LOSS ACCOUNT for the 52 week period ended 24 November 2006

	Note	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Trading profit	3, 5	7,380,590	5,339,449
Administrative expenses		(5,842,982)	(4,062,882)
OPERATING PROFIT	6	1,537,608	1,276,567
Income from shares in group undertakings	7	-	257,000
Interest payable and similar charges	8	(946,772)	(459,934)
Net finance income	10	4,755	4,024
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		595,591	1,077,657
Tax charge on profit on ordinary activities	11	(184,132)	(235,470)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	24, 26	411,459	842,187

BALANCE SHEET
as at 24 November 2006

	Note	24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)
FIXED ASSETS			
Tangible assets	12	2,485	3,836
Shares in subsidiary undertakings	13(a)	50	50
Other investments other than loans	13(b)	2,867	2,674
		5,402	6,560
CURRENT ASSETS			
Trading inventory	14	239,066,184	142,116,720
Securities purchased under agreements to resell	15	62,384,100	54,726,837
Debtors	16	232,097,054	205,521,950
Cash at bank and in hand	17	10,142,054	8,370,420
		543,689,392	410,735,927
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trading inventory sold, but not yet purchased	14	(202,034,109)	(117,629,884)
Securities sold under agreements to repurchase	18	(77,608,517)	(60,521,385)
Other creditors	20	(237,770,146)	(212,997,936)
		(517,412,772)	(391,149,205)
NET CURRENT ASSETS			
		26,276,620	19,586,722
TOTAL ASSETS LESS CURRENT LIABILITIES			
		26,282,022	19,593,282
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	21	(20,329,249)	(14,576,610)
PROVISIONS FOR LIABILITIES AND CHARGES			
	22	(25,000)	(25,000)
NET ASSETS EXCLUDING PENSION DEFICIT			
		5,927,773	4,991,672
Pension deficit	10	(115,932)	(57,731)
NET ASSETS INCLUDING PENSION DEFICIT			
		5,811,841	4,933,941
CAPITAL AND RESERVES			
Called up share capital	23	486,624	175,273
Share premium account	24	2,474,078	2,210,929
Capital reserve (non-distributable)	24	17,286	17,286
Profit and loss account	24	2,833,853	2,530,453
TOTAL SHAREHOLDERS' FUNDS			
	26	5,811,841	4,933,941

TAXATION

The following is a general description of certain United Kingdom and Luxembourg tax considerations relating to the Securities. It does not constitute legal or tax advice. It does not purport to be a complete analysis of all tax considerations relating to the Securities, whether in the United Kingdom, Luxembourg or elsewhere. Prospective purchasers of Securities should be aware that ownership of the Securities, and any transactions involving the Securities, including the issue of any Global Security, any purchase, disposal, lapse or redemption of, or other dealings in, the Securities and any transaction involved in the exercise and settlement of the Securities, may have tax consequences (including but not limited to withholding taxes and possible liabilities to stamp duties, transfer and registration taxes). The tax consequences may depend, amongst other things, upon the status and circumstances of the prospective purchaser, the terms and conditions of the particular Security specified by the relevant Final Terms, and the applicable law and practice of taxation authorities in relevant jurisdictions. The following is a general guide and should be treated with appropriate caution. **Prospective purchasers of any Securities should consult their own tax advisers in relevant jurisdictions about the tax implications of holding the Security and of any transaction involving the Security.**

United Kingdom Tax Considerations

The following comments are of a general nature, based on United Kingdom law and what is understood to be the practice of Her Majesty's Revenue & Customs, in each case at the date of this Base Prospectus, which may change at any time, possibly with retrospective effect. The following is a general summary only of the United Kingdom withholding taxation treatment at the date hereof in relation to income payments in respect of the Securities. The summary also contains some very general statements about stamp duty and stamp duty reserve tax ("**SDRT**"). The comments are not exhaustive, and do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, abandoning, exercising or dealing in Securities.

United Kingdom withholding tax

Interest payments

Where a payment under the Securities constitutes (or, in certain circumstances, is treated as if it were) interest for United Kingdom tax purposes, the payment may be made without withholding or deduction for or on account of United Kingdom income tax in the following circumstances:-

- (i) so long as the Issuer is authorised for the purposes of the Financial Services and Markets Act 2000 and its business consists wholly or mainly of dealing in financial instruments (as defined by section 349(5) of the Income and Corporation Taxes Act 1988) as principal, provided the payment is made in the ordinary course of the Issuer's business; or
- (ii) if the Securities are and continue to be "quoted Eurobonds" as defined in section 349(4) of the Income and Corporation Taxes Act 1988. The Securities will constitute "quoted Eurobonds" if they carry a right to interest and are and continue to be listed on a recognised stock exchange. On the basis of the interpretation of the relevant legislation published by Her Majesty's Revenue & Customs, securities which are to be listed on a stock exchange in a country which is a member state of the European Union will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes.

In cases falling outside the exemptions described above, interest on the Securities may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. However this withholding will not apply if the relevant interest is paid on Securities with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Securities part of a borrowing with a total term of a year or more.

Other payments

Where a payment on a Security does not constitute interest, it may be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment, a manufactured payment, rent or royalties for United Kingdom tax purposes. Where a payment is subject to United Kingdom withholding tax, depending on the nature of the payment (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Security), the payment may fall to be made under deduction of United Kingdom tax at the lower rate (20%) or the basic rate (22%), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty.

United Kingdom stamp duty and stamp duty reserve tax

Depending on the terms and conditions specified by the Final Terms of any Security, there may be a charge to stamp duty and/or stamp duty reserve tax on the issue of, transfer of, and/or exercise of, a Security, and in respect of transactions involving Securities. Prospective purchasers of any Securities should also note that if stamp duty were payable on the creation or issue of any Global Security issued under this Programme, the duty (together with any applicable interest and penalties) could be required to be paid in order for the Global Security to be used in evidence (for example for enforcement purposes) in the United Kingdom.

Luxembourg tax considerations

The following is a general description of certain Luxembourg tax considerations relating to the Securities. It specifically contains information on taxes on the income from the Securities withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Securities, whether in Luxembourg or elsewhere. Prospective purchasers of the Securities should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Securities and receiving payments of interest, principal and/or other amounts under the Securities and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Securities.

Withholding Tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Securities can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC) and providing for the possible application of a withholding tax (15% from 1 July 2005 to 30 June 2008, 20% from 1 July 2008 to 30 June 2011 and 35% from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the Issuer appointing a paying agent (the "**Paying Agent**") in Luxembourg within the meaning of the above-mentioned directive (see section "**EU Savings Directive**" below);
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

EU Savings Directive

On June 3, 2003, the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income. The directive is, in principle, applied by Member States as from July 1, 2005 and has been implemented in Luxembourg by the Law of June 21, 2005. Under the directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent within the meaning of the EU Savings Directive, paid by a Paying Agent, to an individual resident or certain types of entities called "residual entities", within the meaning of the EU Savings Directive (the "**Residuals Entities**"), established in that other Member State (or certain dependent or associated territories). For a transitional period, however, Austria, Belgium and Luxembourg are permitted to apply an optional information reporting system whereby if a beneficial owner, within the meaning of the EU Savings Directive, does not comply with one of two procedures for information reporting, the relevant Member State will levy a withholding tax on payments to such beneficial owner. The withholding tax system will apply for a transitional period during which the rate of the withholding will be of 15% from July 1, 2005 to June 30, 2008, 20% from July 1, 2008 to June 30, 2011 and 35% as from July 1, 2011. The transitional period is to terminate at the end of first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. See "European Union Directive on the Taxation of Savings Income in the Form of Interest Payments (Council Directive 2003/48/EC)."

Also with effect from July 1, 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a Paying Agent within its jurisdiction to, or collected by such a Paying Agent for, an individual resident or a Residual Entity established in a Member State. In addition, Luxembourg has entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories (Jersey, Guernsey, Isle of Man, Montserrat, British Virgin Islands, Netherlands Antilles and Aruba) in relation to payments made by a Paying Agent in a Member State to, or collected by such a paying agent for, an individual resident or a Residual Entity established in one of those territories.

SELLING RESTRICTIONS

No action has been or will be taken by the Issuer or the Guarantor that would permit a public offering of the Securities or possession or distribution of any offering material in relation to the Securities in any jurisdiction where action for that purpose is required. No offers or sales of any Securities, or distribution of any offering material relating to the Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer or the Guarantor.

The United States

The Securities have not been and will not be registered under the Securities Act. Trading in the Securities has not been and will not be approved by an exchange or board of trade or otherwise by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons at any time. The Issuer will not offer or sell the Securities at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will send to each dealer to which it sells Securities at any time a confirmation or other notice setting forth the restrictions on offers and sales of the Securities in the United States or to, or for the account or benefit of, U.S. persons. Each person who enters into a subscription agreement in relation to Securities with the Issuer will agree with respect to the Tranche of Securities being purchased by it that it will not offer or sell the Securities within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. In addition the Securities will be exercisable by the holder only upon certification as to non-U.S. beneficial ownership. If the Final Terms relating to a Security expressly provides for an offering of the Security pursuant to Rule 144A under the Securities Act, the foregoing limitation on U.S. beneficial ownership may not apply or may be revised. As used in this paragraph "**United States**" means the United States of America, its territories or possessions, any state of the United States, the District of Columbia or any other enclave of the United States government, its agencies or instrumentalities, and "**U.S. person**" means (i) any person who is a U.S. person as defined in Regulation S under the Securities Act or (ii) any person or entity other than one of the following:

- (i) a natural person who is not a resident of the United States;
- (ii) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a jurisdiction other than the United States and which has its principal place of business in a jurisdiction other than the United States;
- (iii) an estate or trust, the income of which is not subject to United States income tax regardless of source;
- (iv) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by U.S. persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by U.S. persons; or
- (v) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

In addition, unless otherwise specified in the Final Terms relating to a Security, each purchaser (or transferee) and any person directing such purchase (or transfer) will represent and warrant, or will be deemed to have represented and warranted, on each day from the date on which the purchaser (or transferee) acquires the Security through and including the date on which the purchaser (or transferee) disposes of its interest in the Security, that the purchaser (or transferee) is not an "employee benefit plan" within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), that is subject to Section 406 of the ERISA, a "plan" subject to Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986 (the "**Code**"), a person or entity the assets of which include the assets of any such "employee benefit plan" or "plan," or a governmental or other plan that is subject to any law or regulation that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.

The United Kingdom

All applicable provisions of the FSMA must be complied with in respect of anything done in relation to any Securities in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by any person in connection with the issue or sale of any Securities may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

In relation to any Tranche of Securities, the relevant Base Prospectus Supplement may specify other or additional restrictions on offers or sales of such Securities or possession or distribution of offering material relating to such Securities or otherwise.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Issuer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (i) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, and ending on the date which is 12 months after the date of such publication;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual turnover of more than EUR 50,000,000, all as shown in its last annual or consolidated accounts; or
- (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

OFFERS AND SALES

In respect of each Tranche of Securities, the Issuer may retain some of the Securities which it may sell, cancel or otherwise dispose of from time to time, as the case may be, as it may determine. The Issuer is entitled, at any time before the expiration of the Securities of any Tranche, to purchase or sell such Securities in the open market or through private transactions.

The issue price of any Security specified in the relevant Final Terms (the "**Issue Price**") is an initial price set by the Issuer as at the date of the relevant Final Terms. The Issuer reserves the right to offer such Securities at any other price or prices as conclusively determined by it and no Holder shall have a claim against the Issuer or the Guarantor by reason of the price offered to it or any other Holder.

GENERAL INFORMATION

1. The establishment and annual update of the Programme has been authorised pursuant to a written resolution of the Executive Committee of the Board of Directors of the Issuer passed on 28 September 1998. The entering into and performance of the Guarantee has been authorised pursuant to a resolution of the Board of Directors of the Guarantor dated 16 September 2005.
2. Neither the Issuer nor the Guarantor (save, in respect of the Guarantor, as disclosed in "Legal Proceedings" in Part I, Item 3 (pages 30-42) of the Guarantor's Form 10-K) are or have been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Issuer's or the Guarantor's financial position or profitability. The Guarantor believes, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the consolidated financial position of the group, but might be material to its operating results for any particular period, depending, in part, upon the operating results for such period.
3. The statutory consolidated financial statements of the Issuer for the periods ended 24 November 2006 and 25 November 2005 have been audited without qualification by PricewaterhouseCoopers LLP, Independent Registered Public Accountants, of 1 Embankment Place London WC2N 6RH in accordance with the laws of England. PricewaterhouseCoopers LLP is a registered member of the Institute of Chartered Accountants in England and Wales.
4. PricewaterhouseCoopers LLP, which is a member of the American Institute of Certified Public Accountants and regulated as an independent registered public accounting firm under the rules of the Public Company Accounting Oversight Board, of 300 Madison Avenue, New York, New York 10017, U.S.A., audited the Guarantor's consolidated statements of financial condition as of 25 November 2005 and 24 November 2006 and the related consolidated statements of earnings, cash flows and changes in shareholders' equity for the fiscal years ended 25 November 2005 and 24 November 2006 and issued unqualified audit opinions thereon.

The consolidated statements of the Guarantor incorporated herein by reference to the Form 10-K for the fiscal year ended 24 November 2006 and management's assessment of the effectiveness of internal control over financial reporting (which is included in management's report on internal control over financial reporting) have been incorporated in reliance on the report of PricewaterhouseCoopers LLP included therein given on the authority of said firm as experts in auditing and accounting.

5. There has been no material adverse change in the prospects of the Issuer or the Guarantor since 24 November 2006, except as it may otherwise be indicated in any document incorporated by reference into this Base Prospectus.
6. There has been no significant change in the Issuer's or the Guarantor's financial or trading position since 24 November 2006, except as it may otherwise be indicated in any document incorporated by reference into this Base Prospectus.
7. For so long as any Securities shall be outstanding or may be issued under the Programme, copies of the following documents may be obtained free of charge upon

request during normal business hours from the specified office of the Issuer and the office of the Programme Agent in Luxembourg and each of the Programme Agents:

- (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the restated Certificate of Incorporation of the Guarantor;
 - (c) the deed of guarantee dated 12 March 2007;
 - (d) the Programme Agreement;
 - (e) the Deed of Covenant;
 - (f) the audited accounts of the Issuer for the two years ended 24 November 2006 and 25 November 2005;
 - (g) the audited accounts of the Guarantor for the two years ended 24 November 2006 and 25 November 2005;
 - (h) the Final Terms for each Tranche or Series of Securities that are listed on the Official List of the Luxembourg Stock Exchange or any other stock exchange;
 - (i) a copy of the Base Prospectus;
 - (j) a copy of any Base Prospectus Supplement and Final Terms; and
 - (k) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus.
8. Application has been made to list the Securities to be issued under the Programme on the Official List of the Luxembourg Stock Exchange and to trade the Securities on the regulated market of the Luxembourg Stock Exchange. In connection with the application for any Series of Securities issued under the Programme to be listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange, copies of the Memorandum and Articles of Association of the Issuer and the Certificate of Incorporation of the Guarantor have been registered with the *Registre de Commerce et de Sociétés à Luxembourg* where copies of such documents may be obtained upon request. As long as any Securities are listed on the Official List of the Luxembourg Stock Exchange, the Issuer will maintain a Paying Agent in Luxembourg; however the Issuer is under no obligation to maintain listing of the Securities. See paragraph 9 below.
9. Copies of this Base Prospectus, any supplement hereto and the Final Terms in relation to each Series of Securities which is listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange will be available at the office of the Programme Agent in Luxembourg as well as online on the Luxembourg Stock Exchange's website at www.bourse.lu. In the case of a Tranche of Securities which is not to be listed on the Official List or admitted to trading on the regulated market of the Luxembourg Stock Exchange or any other stock exchange, copies of the relevant Final Terms will also be available for inspection at the office of the Programme Agent in Luxembourg but only by a Holder of such Securities.
10. Each Final Terms in relation to each Series of Securities will specify whether the Securities have been accepted for clearance through either Euroclear and Clearstream, Luxembourg or through VPC AB, Sweden, as the case may be. The appropriate

common code and International Securities Identification Number in relation to the Securities of each such Series and any other clearing system as shall have accepted the relevant Securities for clearance will be specified in the Final Terms relating thereto.

11. Transactions in the Securities may be executed in any number unless (a) the Securities are listed on a stock exchange and the rules of that stock exchange govern the number of Securities in which transactions may be executed, in which case the applicable rules of that stock exchange from time to time must be complied with, or (b) the relevant Final Terms specifies a minimum trading number (the "**Minimum Trading Number**"), in which case transactions in the Securities may only be executed in the Minimum Trading Number or integral multiples thereof (or, if a "**Permitted Trading Multiple**" is specified in the relevant Final Terms higher integral multiples of the Permitted Trading Multiple) on any particular occasion or such other Minimum Trading Number or other Permitted Trading Multiple as the Issuer may from time to time notify to the Holders in accordance with Condition 19. Purchasers should also note the restrictions described above on the number of Securities which may be exercised on any particular occasion.
12. Although no assurance is made as to the liquidity of the Securities as a result of their listing on the Official List of the Luxembourg Stock Exchange or any other exchange, as the case may be, delisting the Securities from the Luxembourg Stock Exchange or any other exchange, as the case may be, may have a material adverse effect on an investor's ability to resell its Securities in the secondary market.
13. The Guarantor is in compliance in all material respects with the corporate governance standards of the New York Stock Exchange which are applicable to the Guarantor as a corporation organised in the United States whose securities are listed on such exchange.
14. Pursuant to the laws of the State of Delaware, the duration of the Guarantor is unlimited. The Guarantor's company registration number is 2923466. Pursuant to the third clause of the Guarantor's certificate of incorporation, its purpose is to engage in any lawful act or activity for which corporations may be organised under the Delaware General Corporation Law. The Guarantor is organised in the State of Delaware.
15. Pursuant to the Guarantor's restated certificate of incorporation, its authorised capital stock consists of 4,350,000,000 shares, each with a par value of \$0.01 per share, of which:
 - (a) 150,000,000 shares are designated as preferred stock, of which 124,000 shares were issued and outstanding as of November 2006;
 - (b) 4,000,000,000 shares are designated as common stock, 599,697,200 shares of which were issued and 412,666,084 shares of which were outstanding as of November 2006; and
 - (c) 200,000,000 shares are designated as nonvoting common stock, none of which are issued and outstanding.
16. The business address and telephone number of the Guarantor's directors is identical to the address and telephone number of the Guarantor's principal executive offices, which is The Goldman Sachs Group, Inc., 85 Broad Street, New York, NY 10004, U.S.A., telephone +1 (212) 902-1000.

ANNEX 1

Company number: 02263951

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

24 NOVEMBER 2006

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 24 November 2006.

1. Principal activities

Goldman Sachs International ('the company' or 'GSI') provides a wide-range of financial services to clients located worldwide and undertakes proprietary trading. The company is regulated by the Financial Services Authority ('the FSA'). GSI's share capital is denominated in US Dollars and the company is part of a US Dollar reporting group, The Goldman Sachs Group, Inc. ('the group'). Accordingly, the company's functional currency is US Dollars and these financial statements have been prepared in that currency.

2. Review of business and future developments

The profit and loss account for the period is set out on page 9. Trading profit was US\$7,381 million for the period (52 week period ended 25 November 2005: US\$5,339 million). The results for the company show a pre-tax profit of US\$596 million for the period (52 week period ended 25 November 2005: US\$1,078 million). GSI has total assets of US\$544 billion (25 November 2005: US\$411 billion). Details of the company's business segments are given in note 5 to the financial statements.

Investment Banking results primarily reflect the strong growth in industry-wide completed mergers and acquisitions and other client activity.

Trading and Principal Investments benefited from strong customer-driven activity and favourable market conditions.

Asset Management and Securities Services reflected strong results primarily from the prime brokerage business generated by higher customer balances.

Administrative Expenses and Interest Payable

Administrative expenses increased to US\$5,843 million for the period (52 week period ended 25 November 2005: US\$4,063 million) mainly due to an increase in compensation costs including higher mark-to-market costs on equity-based compensation.

Interest payable increased to US\$947 million for the period (52 week period ended 25 November 2005: US\$460 million), mainly due to an increase in subordinated debt from US\$11,105 million to US\$18,063 million. Subordinated debt was increased in order to provide additional regulatory capital to support ongoing business activities.

Business environment

As an investment banking and securities firm, our businesses are materially affected by conditions in the financial markets and general economic conditions. A favourable business environment is typically characterised by low inflation, low or declining interest rates and strong equity markets. Over the business cycle, these factors provide a positive climate for our investment banking activities, for many of our trading businesses and for wealth creation. Although short-term interest rates continued to rise and the yield curve continued to flatten, economic conditions remained generally favourable during 2006, as global interest rates remained at low levels, core inflation was broadly

GOLDMAN SACHS INTERNATIONAL (unlimited company)

contained, global equity prices generally rose and corporate activity continued to improve.

Strategy

The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide-range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

As part of the group, GSI seeks to be the advisor of choice for its clients and a leading participant in the global financial markets. GSI's strategy, consistent with that of the group, is to grow its three core businesses, Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services, in markets throughout the world.

Principal risks and uncertainties

GSI faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit quality, competition, and employee-related, operational infrastructure and technology risks. Consequently, the company does not produce predictable earnings. The key business risks affecting the company are set out below.

Economic and market conditions

Our businesses are materially affected by conditions in the global financial markets and economic conditions generally and these conditions may change suddenly and dramatically. Unfavourable or uncertain economic and market conditions have adversely affected, and may in the future adversely affect, our business and profitability.

Liquidity

Liquidity is essential to our businesses. Our liquidity could be impaired by an inability to access secured and / or unsecured debt markets, an inability to sell assets or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us. Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time.

Credit quality

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. In addition, a deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and / or adversely affect our ability to use those securities or obligations for liquidity purposes. The amount and duration of our credit exposures have been increasing over the past several years, as has the breadth of the entities to which we have credit exposures. Although we regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns

GOLDMAN SACHS INTERNATIONAL (unlimited company)

about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the company.

Competition

The financial services industry is intensely competitive and we expect it to remain so. Our competitors are other brokers and dealers, investment banking firms, investment advisers, mutual funds, hedge funds, private equity funds, commercial banks and merchant banks. We compete on the basis of a number of factors including transaction execution, our products and services, innovation, reputation and price. We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to increase market share by reducing prices.

Over time, there has been substantial consolidation and convergence amongst companies in the financial services industry. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors. It has also hastened the globalisation of the securities and other financial services markets.

Employees

We also face intense competition in attracting and retaining qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition in the financial services industry for qualified employees is intense. In addition, competition with businesses outside the financial services industry, such as hedge funds, private equity funds and venture capital funds, for the most highly skilled individuals has been intense.

Operational infrastructure

Failures in internal processes, people or systems could lead to impairment of our liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage. For example, our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. The transactions we process have become increasingly complex and often must adhere to client-specific guidelines, as well as legal and regulatory standards. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions and, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems. Any such failure or termination could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk.

Despite the contingency plans and facilities that we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports

GOLDMAN SACHS INTERNATIONAL (unlimited company)

our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, transportation or other services used by GSI or third parties with which we conduct business. These disruptions may occur, for example, as a result of events that affect only the buildings of the company or such third parties, or as a result of events with a broader impact on the cities where those buildings are located.

Technology

Technology is fundamental to our business and our industry. The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems and it appears that the trend toward alternative trading systems will continue and probably accelerate. Some of these alternative trading systems compete with our trading businesses and we may experience continued competitive pressures in these and other areas. In addition, the increased use by our clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads.

Risk management

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems. Our trading risk management process seeks to balance our ability to profit from trading positions with our exposure to potential losses. Whilst we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, we may, in the course of our activities, incur losses. In addition, refer to the financial risk management section, below.

Future outlook

The directors consider that the period end financial position of the company was satisfactory. No significant change in the company's principal business activity is expected.

3. Dividends

The directors declared and paid a preference dividend of US\$99,483,000 during the period (52 week period ended 25 November 2005: US\$99,483,000).

4. Share capital

On 15 December 2005, the company issued 3,499,425 ordinary shares of US\$1 each in return for a cash consideration of US\$80,000,000.

On 9 March 2006, the company issued 3,157,064 ordinary shares of US\$1 each in return for a cash consideration of US\$80,000,000.

On 7 November 2006, the authorised share capital was increased to US\$970,000,000 by creating an additional 700,000,000 ordinary shares of US\$1 each. In addition, the company issued 300,000,000 ordinary shares of US\$1 each in return for a cash consideration of US\$300,000,000.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

On 24 November 2006, the company issued 4,694,547 ordinary shares of US\$1 each in return for a cash consideration of US\$114,500,000.

These share issues were in order to increase the company's regulatory capital to support ongoing business activities (see note 23).

5. Exchange rate

The US Dollar / Sterling exchange rate at the balance sheet date was £ / US\$1.7131).
£ / US\$1.9322 (25 November 2005):

The average rate for the period was £ / US\$1.8287 (52 week period £ / US\$1.8293).
ended 25 November 2005):

6. Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within The Goldman Sachs Group, Inc. Training, career development and promotion of disabled persons are, to the extent possible, identical to that of other employees who are not disabled.

7. Employee involvement

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects. Employees share in performance-based incentive schemes.

8. Directors

The directors of the company who served throughout the period and to the date of this report, except where noted, were:-

Name	Appointed	Resigned
P. D. Sutherland, Chairman		
P. C. Deighton		24 February 2006
S. O. Donohoe		8 May 2006
G. P. Earle	7 April 2006	
S. Fitzgerald	1 September 2006	
C. G. French		
D. C. Grip		
R. J. Gnodde	23 October 2006	
S. B. Kapnick		24 October 2006
A. Loudiadis		8 May 2006

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

R. S. Sharp

24 November 2006

M. S. Sherwood

M.C.H. Westerman

Y. Zaoui

No director had, at the period end, any interest requiring note herein.

9. Financial risk management

The company's risk management objectives and policies, as well exposures to market risk, credit risk and liquidity risk are described in note 27 to the financial statements.

10. Disclosure of information to auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

11. Auditors

The company has passed elective resolutions, in accordance with the Companies Act 1985, to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the company pursuant to section 386 of the Companies Act 1985.

12. Charitable contributions

During the period, an amount of US\$1,930,567 (52 week period ended 25 November 2005: US\$1,299,703) was donated to charity.

13. Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**GOLDMAN SACHS INTERNATIONAL
(unlimited company)**

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

14. Date of authorisation of issue

The financial statements were authorised for issue by the Board of Directors on 5 February 2007.

**BY ORDER OF THE BOARD
D. J. GROUNSELL
Secretary
20 February 2007**

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

Independent auditors' report to the members of
GOLDMAN SACHS INTERNATIONAL
(unlimited company)

We have audited the financial statements of Goldman Sachs International for the 52 week period ended 24 November 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 November 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

22 February 2007

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

PROFIT AND LOSS ACCOUNT

for the 52 week period ended 24 November 2006

	Note	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Trading profit	3, 5	7,380,590	5,339,449
Administrative expenses		(5,842,982)	(4,062,882)
OPERATING PROFIT	6	1,537,608	1,276,567
Income from shares in group undertakings	7	-	257,000
Interest payable and similar charges	8	(946,772)	(459,934)
Net finance income	10	4,755	4,024
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		595,591	1,077,657
Tax charge on profit on ordinary activities	11	(184,132)	(235,470)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	24, 26	411,459	842,187

The trading and operating profit of the company is derived from continuing operations in the current and prior period.

There is no difference between the profit on ordinary activities before and after taxation and the profit for the financial year as stated above and their historical cost equivalents, except as explained in note 1(e).

The notes on pages 12 to 35 form an integral part of these financial statements.¹

Independent Auditors' report – page 8.

¹ For the purpose of this Base Prospectus, the notes on pages A-1-14 to A-1-37 form an integral part of these financial statements.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 52 week period ended 24 November 2006

	Note	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Profit for the financial period		411,459	842,187
Actuarial loss relating to the pension scheme	10	(12,252)	(15,183)
UK deferred tax attributable to the actuarial loss	19	3,676	4,555
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL YEAR		402,883	831,559
Prior period adjustment	4	(104,807)	
TOTAL GAINS AND LOSSES REPORTED SINCE LAST FINANCIAL STATEMENTS		298,076	

The notes on pages 12 to 35 form an integral part of these financial statements.²

Independent Auditors' report – page 8.

² For the purpose of this Base Prospectus, the notes on pages A-1-14 to A-1-37 form an integral part of these financial statements.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

BALANCE SHEET

as at 24 November 2006

	Note	24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)
FIXED ASSETS			
Tangible assets	12	2,485	3,836
Shares in subsidiary undertakings	13(a)	50	50
Other investments other than loans	13(b)	2,867	2,674
		5,402	6,560
CURRENT ASSETS			
Trading inventory	14	239,066,184	142,116,720
Securities purchased under agreements to resell	15	62,384,100	54,726,837
Debtors	16	232,097,054	205,521,950
Cash at bank and in hand	17	10,142,054	8,370,420
		543,689,392	410,735,927
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trading inventory sold, but not yet purchased	14	(202,034,109)	(117,629,884)
Securities sold under agreements to repurchase	18	(77,608,517)	(60,521,385)
Other creditors	20	(237,770,146)	(212,997,936)
		(517,412,772)	(391,149,205)
NET CURRENT ASSETS		26,276,620	19,586,722
TOTAL ASSETS LESS CURRENT LIABILITIES		26,282,022	19,593,282
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(20,329,249)	(14,576,610)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(25,000)	(25,000)
NET ASSETS EXCLUDING PENSION DEFICIT		5,927,773	4,991,672
Pension deficit	10	(115,932)	(57,731)
NET ASSETS INCLUDING PENSION DEFICIT		5,811,841	4,933,941
CAPITAL AND RESERVES			
Called up share capital	23	486,624	175,273
Share premium account	24	2,474,078	2,210,929
Capital reserve (non-distributable)	24	17,286	17,286
Profit and loss account	24	2,833,853	2,530,453
TOTAL SHAREHOLDERS' FUNDS	26	5,811,841	4,933,941

Approved by the Board of Directors on 20 February 2007.

Director

The notes on pages 12 to 35 form an integral part of these financial statements.³
Independent Auditors' report – page 8.

³ For the purpose of this Base Prospectus, the notes on pages A-1-14 to A-1-37 form an integral part of these financial statements.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

1. ACCOUNTING POLICIES

- (a) **Accounting convention:** These financial statements have been prepared under the historical cost convention (modified as explained in note 1(e)), the accounting policies set out below and in accordance with applicable United Kingdom law, applicable United Kingdom accounting standards and pronouncements of the Urgent Issues Task Force ('UITF').
- (b) **Consolidation:** The company is a subsidiary undertaking of a company incorporated in Great Britain and has elected not to prepare group accounts in accordance with the dispensation set out in section 228(1) of the Companies Act 1985.
- (c) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation and provision for any impairment. Depreciation is provided on a straight-line basis over the estimated useful lives at the following annual rates:

	%
Fixtures, fittings and equipment	14-20
Motor vehicles	20

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use.

- (d) **Fixed asset investments:**
- (i) Shares in group undertakings, which are intended to be held on a continuing basis in the company's activities, are stated at cost less provision for any impairment.
- (ii) Equipment leasing partnerships are stated at cost less provision for any impairment.
- (iii) Investments in exchange memberships are stated at cost less provision for any impairment.
- (iv) Debentures are stated at cost less provision for any impairment and amortised over their useful economic life.
- (v) Other investments are stated at cost less provision for any impairment.
- (e) **Trading inventory:** Trading inventory and trading inventory sold, but not yet purchased consists of financial instruments carried at fair value or amounts that approximate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. In determining fair value, the company separates financial instruments into two categories: cash (i.e. non-derivative) trading instruments and derivative contracts.

The fair values of cash trading instruments are generally obtained from quoted market prices in active markets, broker or dealer price quotations or alternative

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

pricing sources with a reasonable level of price transparency. The types of instruments valued in this manner include sovereign government obligations, investment-grade and high-yield corporate bonds, listed equities, money market securities, and physical commodities.

However, certain cash trading instruments trade infrequently and, therefore, have little or no price transparency. Such instruments may include corporate bank loans and mortgage whole loans. The company values these instruments initially at cost and generally does not adjust valuations unless there is substantive evidence supporting a change in the value of the underlying instrument or valuation assumptions (such as similar market transactions, changes in financial ratios or changes in the credit ratings of the underlying companies). Where there is evidence supporting a change in the value, the firm uses valuations methodologies such as the present value of known or estimated cash flows.

Cash trading instruments owned by the firm (long positions) are marked to bid prices and instruments sold, but not yet purchased (short positions) are marked to offer prices. If liquidating a position is reasonably expected to affect its prevailing market price, the valuation is adjusted generally based on market evidence or predetermined policies. In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine this adjustment.

The fair values of the company's derivative contracts consist of exchange-traded and over-the-counter ('OTC') derivatives. The fair values of the company's exchange-traded derivatives are generally determined from quoted market prices. OTC derivatives are valued using valuation models. The company uses a variety of valuation models including the present value of known or estimated cash flows and option pricing models. The valuation models used to derive the fair values of the company's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. The selection of a model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The company generally uses similar models to value similar instruments. Where possible, the company verifies the values produced by its pricing models to market transactions. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model selection does not involve significant judgement because market prices are readily available. For OTC derivatives that trade in less liquid markets, model selection requires more judgement because such instruments tend to be more complex and pricing information is less available in the market. Price transparency is inherently more limited for more complex structures because they often combine one or more product types, requiring inputs such as correlations and volatilities. As markets continue to develop and more pricing information becomes available, the company continues to review and refine the models it uses.

At the inception of an OTC derivative contract, the company values the contract at the model value if the company can verify all of the significant model inputs to

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

observable market data and verify the model to market transactions. When appropriate, valuations are adjusted to reflect various factors such as liquidity, bid / offer spreads and credit considerations. These adjustments are generally based on market evidence or predetermined policies. In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine these adjustments. Otherwise the contract is valued at the transaction price. Following inception, inputs to the valuation models are adjusted only to the extent that the company has substantive evidence to support a change.

The gains or losses resulting from the application of this policy are taken to the profit and loss account. As the trading inventory represents the trading portfolio of the company, the directors are of the opinion that it would not be appropriate to classify it as current asset investments or to provide an analysis of such securities between those listed and unlisted.

- (f) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions as they meet the requirements defined in FRS 5, 'Reporting the substance of transactions', and are carried at the amount at which the securities were sold or acquired plus the accrued interest as specified in the respective agreements.
- (g) **Operating leases:** Costs in respect of operating leases are charged on a straight-line basis over the lease term.
- (h) **Offsetting financial instruments:** Amounts due from and to clients and counterparties in respect of unsettled trading and derivative transactions are offset and the net amount presented in the balance sheet where the company:
 - (i) currently has a legally enforceable right to set off the recognised amounts; and
 - (ii) intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Where the conditions are not met, amounts due from and to clients and counterparties are presented on a gross basis in the balance sheet.

- (i) **Deferred taxation:** Full provision is made for deferred taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses. The timing differences are recognised as deferred tax liabilities or assets, measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantially enacted by the balance sheet date. An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.
- (j) **Foreign currencies:** Transactions denominated in foreign currencies are translated into US Dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange ruling at the

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

balance sheet date. Gains and losses on exchange are recognised in operating profit.

- (k) **Trading profit:** The operating results for the period include all profits arising from the trading operations of the company, including profits and losses arising both on the purchase and sale of securities. Purchases and sales of securities are accounted for on a trade date basis.
- (l) **Corporate finance fees:** Corporate finance and advisory fee income is recognised when the work is substantially complete, the relevant parties are contractually bound and the final fee can be estimated with a reasonable degree of accuracy.
- (m) **Asset management and incentive fees:** Management fees are recognised over the period that the related service is provided based upon average net asset values. In certain circumstances, the company is also entitled to receive asset management incentive fees based on a percentage of a fund's return or when the return on assets under management exceeds specified benchmark returns or other performance targets. Incentive fees are generally based on investment performance over a 12-month period and are subject to adjustment prior to the end of the measurement period.
- (n) **Money broker deposits:** Deposits with money brokers and deposits received from money brokers are carried at the amounts of cash collateral advanced and received in connection with the transactions. The company measures the market value of the securities borrowed and loaned against the collateral on a daily basis and obtains or provides additional collateral as appropriate.
- (o) **Dividends:** Final equity dividends (including dividends payable on preference shares deemed equity) are recognised in the period that they are approved by the shareholders. Interim equity dividends are recognised in the period that they are paid. Equity dividends are distributed directly from equity.
- (p) **Pension cost:** The company participates in a hybrid pension plan for the benefit of certain employees. The defined benefit and defined contributions sections of the plan are accounted for as follows:
 - (i) For the defined benefit section, the amounts charged to operating profit are the current service costs, any past service costs and any gains or losses on settlements and curtailments. They are included as part of staff costs. The interest cost and expected return on assets are shown as a net amount within other finance income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit section is funded, with the assets of the scheme held separately from those of the company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least triennially and

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

updated at each balance sheet date. The resulting defined benefit or liability is presented separately after other net assets on the face of the balance sheet.

- (ii) For the defined contribution section, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(q) **Capital instruments:**

- (i) Loan notes: Loan notes issued are initially recorded at the proceeds received after deducting issue costs. Finance costs, including discounts allowed on issue, are recognised at a constant rate on the carrying amount of debt in accordance with the provisions of FRS 4, 'Capital instruments'. All finance costs are charged to the profit and loss account.
- (ii) Debt securities issued: The company has issued debt securities with varying maturities to investors. These are initially recorded at the value of the proceeds received. These securities provide a payout to investors based on movements in the value of an underlying index or credit. At each period end, movements in the fair value of the underlying index or credit represent the finance cost to the company and are included in the carrying amount of the securities. Such finance costs are included within trading interest payable.

2. CASH FLOW STATEMENT

The company is a greater than 90% subsidiary of The Goldman Sachs Group, Inc., and is therefore exempt from preparing a cash flow statement as required by FRS1, 'Cash flow statements', as the ultimate parent company accounts are publicly available.

3. TRADING PROFIT

Trading profit has been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities. Trading profit, after charging related expenses, includes the net profit arising from transactions in securities, foreign exchange and other financial instruments, and fees and commissions earned. Related expenses include trading interest payable less trading interest and dividends receivable.

4. PRIOR PERIOD RESTATEMENT

During the financial year, a number of accounting standards have been introduced which have led to changes in accounting policy. Comparative figures have been revised accordingly. The effects of these changes in policy are summarised below:

Prior period adjustments:

- (i) FRS 17, 'Retirement benefits', has been adopted in full for the period ending 24 November 2006 superseding SSAP 24, 'Accounting for pension costs'. The effect of implementing FRS 17 in full has been to:

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

- (a) increase administrative expenditure, thus a decrease to profit for the financial year, by \$1 million;
 - (b) recognise net finance income of \$4 million;
 - (c) increase the deferred tax charge by \$1 million;
 - (d) recognise a loss of \$11 million (net of deferred tax) in the statement of total recognised gains and losses;
 - (e) reduce debtors by \$47 million (net of deferred tax); and
 - (f) recognise a pension deficit of \$58 million in the balance sheet.
- (ii) FRS 25, 'Financial instruments: disclosure and presentation', (paragraphs 15 to 50) has been adopted for the period ending 24 November 2006. The company has elected to restate comparatives the effect of which has been to:
- (a) increase trading inventory and trading inventory sold, but not yet purchased by \$58,797 million;
 - (b) increase securities purchased under agreements to resell and securities sold under agreements to repurchase by \$1,815 million; and
 - (c) decrease debtors and creditors by \$67,140 million.
 - (d) In addition, dividends are charged directly to equity, consequently, they have been removed from the face of the profit and loss account.

Prior period exceptional administrative expenses of US\$112 million, relating to restricted stock units and options awarded to employees following the initial public offering ('IPO') of The Goldman Sachs Group, Inc. on the New York Stock Exchange on 7 May 1999, are no longer deemed exceptional by the directors. Consequently, administrative expenses for the prior year have been restated to conform to the current period presentation.

Profit and loss account
(excerpt):

	52 week period ended 25 November 2005 US\$'000	Note	Adjustment US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Administrative expenses	(4,061,989)	(i)	(893)	(4,062,882)
OPERATING PROFIT	1,277,460		(893)	1,276,567
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,074,526		3,131	1,077,657
Tax charge on profit on ordinary	(234,531)	(i)	(939)	(235,470)

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

activities				
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR	<u>839,995</u>	(i)	<u>2,192</u>	<u>842,187</u>
CURRENT ASSETS				
Trading inventory	83,319,953	(ii)	58,796,767	142,116,720
Securities purchased under agreements to resell	52,911,893	(ii)	1,814,944	54,726,837
Debtors	272,708,756	(i), (ii)	(67,186,806)	205,521,950
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trading inventory sold, but not yet purchased	(58,833,117)	(ii)	(58,796,767)	(117,629,884)
Securities sold under agreements to repurchase	(58,706,441)	(ii)	(1,814,944)	(60,521,385)
Other creditors	(280,137,666)	(i), (ii)	67,139,730	(212,997,936)
NET CURRENT ASSETS	<u>19,633,798</u>		<u>(47,076)</u>	<u>19,586,722</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	19,640,358		(47,076)	19,593,282
NET ASSETS EXCLUDING PENSION DEFICIT	<u>5,038,748</u>		<u>(47,076)</u>	<u>4,991,672</u>
Pension deficit	-	(i)	(57,731)	(57,731)
NET ASSETS INCLUDING PENSION DEFICIT	<u>5,038,748</u>		<u>(104,807)</u>	<u>4,933,941</u>
CAPITAL AND RESERVES				
Profit and loss account	2,635,260	(i)	(104,807)	2,530,453
TOTAL SHAREHOLDERS' FUNDS	<u>5,038,748</u>		<u>(104,807)</u>	<u>4,933,941</u>

5. SEGMENTAL REPORTING

The company's trading profit is categorised into the following three principal segments: Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services.

	52 week period ended 24 November 2006	52 week period ended 25 November 2005
	<u>US\$'000</u>	<u>US\$'000</u>
Investment Banking	1,151,961	863,272
Trading and Principal Investments	5,133,512	3,634,646
Asset Management and Securities Services	1,095,117	841,531
	<u>7,380,590</u>	<u>5,339,449</u>

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Investment Banking

The company's investment banking activities are divided into two categories:

- *Financial Advisory* – Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defence activities, restructuring and spin offs; and
- *Underwriting* – Underwriting includes public offerings and private placements of a wide range of securities and other financial instruments.

Trading and Principal Investments

Trading and Principal Investments is divided into three categories:

- *Fixed Income, Currencies and Commodities* – The company makes markets in and trades interest rate and credit products, mortgage-related securities and loans, including asset-backed securities, currencies and commodities, structures and enters into a wide variety of derivative transactions and engages in proprietary trading and investing;
- *Equities* – The company makes markets in and trades equities and equity-related products, structures and enters into equity derivative transactions, and engages in proprietary trading. The company also executes and clears customer transactions on major stock, options and futures exchanges worldwide; and
- *Principal Investments* – Principal Investments primarily represents fees from group companies for sourcing and associated work with regard to the group's merchant banking investments.

Trading and Principal Investments also includes variable costs such as brokerage, clearance and underwriting expenses that are offset against trading profit.

Asset Management and Securities Services

The Asset Management and Securities Services segment includes services related to the following:

- *Asset Management* – Asset Management provides investment advisory and financial planning services to a diverse group of institutions and individuals worldwide and primarily generates revenues in the form of management and incentive fees; and
- *Securities Services* – Securities Services provides prime brokerage, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds, and foundations and to high-net-worth individuals worldwide, and generates revenues primarily in the form of interest rate spreads or fees.

Geographic Analysis

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Due to the highly integrated nature of international financial markets, the directors consider that the company operates in a single global market. As a result, no disclosure of segmental information relating to the geographical origin of results has been provided.

6. OPERATING PROFIT

	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets (note 12)	1,833	2,042
Amortisation of fixed asset investments (note 13(b)(iii))	7	7
Management fees charged by group undertakings	1,841,665	1,266,473
Management fees charged to group undertakings	(381,845)	(293,885)
Foreign exchange loss on long-term debt	6,011	6,899
Auditors' remuneration for audit services: – company	4,153	3,468
Operating lease rentals: – land and buildings	103,906	103,981
Trading interest payable: – group undertakings	4,312,501	2,816,091
– other	8,610,375	3,986,708
Trading interest receivable: – group undertakings	(6,965,286)	(3,440,257)
– other	(7,499,701)	(4,474,968)

The company has taken the exemption not to disclose fees payable to the auditor and its associates for other non-audit services as the consolidated financial statements of the company's parent undertaking are required to disclose such information on a consolidated basis.

7. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Income from shares in group undertakings in the prior period represented a dissolution distribution from GS Global Funding (UK).

8. INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000
Payable to parent undertakings	946,772	425,798
Amortisation of discount payable on zero coupon loan notes	-	34,136
	946,772	459,934

Interest payable and similar charges payable to parent undertakings arise on subordinated loans repayable within five years otherwise than by instalments.

The zero coupon loan notes were held by a subsidiary undertaking of the ultimate parent company and were due to mature on 27 July 2005. They were redeemed with a value of US\$1,661 million plus interest accrued to date on 25 August 2005, following an extension in maturity.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

9. DIRECTORS' EMOLUMENTS

	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000
Aggregate emoluments	25,862	20,429
Company pension contributions to money purchase schemes	89	831
	25,951	21,260
	US\$'000	US\$'000
Highest paid director:		
Aggregate emoluments and benefits	13,415	11,564
Company pension contributions to money purchase schemes	1	4
Defined benefit schemes	-	-
Accrued pension at end of year	9	9

In accordance with the Companies Act 1985, directors' emoluments represent the proportion of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non-qualifying services which are not required to be disclosed. Certain directors of the company also received options over shares in the ultimate parent company which is registered outside the United Kingdom. Fourteen persons, who were directors for some or all of the period or who were approved thereafter, are members of the defined contribution pension scheme and nine persons are members of the defined benefit pension scheme. Thirteen directors have been granted shares in respect of long term incentive schemes. Nine directors have exercised options.

10. STAFF COSTS

The average number of employees of the company, including directors, is analysed below:

	52 week period ended 24 November 2006 Number	52 week period ended 25 November 2005 Number
Trading, sales, advisory, research and asset management	2,244	1,965
Support, finance, operations and technology	1,919	1,613
	4,163	3,578

The employment costs incurred by the company, including those relating to directors, were:

	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000
Aggregate gross wages and salaries	3,661,670	2,084,479
Employer's National Insurance Contributions	240,260	181,687
Pension costs, employer contributions to the:		

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Defined contribution scheme	41,329	31,685
Defined benefit scheme	1,665	19,939
Total direct costs of employment	<u><u>3,944,924</u></u>	<u><u>2,317,790</u></u>

Pension schemes

The company operates an open pension plan with a hybrid structure ('the Plan'), having both defined benefit and defined contribution sections. A full actuarial valuation of the Plan was carried out by a qualified independent actuary as at 1 December 2003 using the projected unit funding method and updated to 24 November 2006. The asset and liability figures shown below have been calculated as a proportion of the total Plan assets and liabilities, based on Goldman Sachs International's proportion of the active membership as advised at the start and end of the year.

The major financial assumptions used by the actuary underlying the funding of the Plan which had the most significant effect on the pension cost are set out below:

	24 November 2006	25 November 2005	26 November 2004	28 November 2003	29 November 2002
	% per annum	% per annum	% per annum	% per annum	% per annum
Discount rate	4.95	4.90	5.25	5.60	5.75
Rate of increase in salaries	5.10	4.85	4.80	4.75	4.50
Rate of increase in pensions (post-30 November 1996 accrual)	3.10	2.85	2.80	2.75	2.50
Rate of price inflation	3.10	2.85	2.80	2.75	2.50

The assets in the Plan attributable to Goldman Sachs International and the expected rates of return were:

	24 November 2006		25 November 2005		26 November 2004	
	Expected rate of return % pa	Market value US\$m	Expected rate of return % pa	Market value US\$m	Expected rate of return % pa	Market value US\$m
UK equities	7.9	129.7	8.1	142.7	8.2	131.4
Overseas equities	7.9	136.9	8.1	86.7	8.2	78.3
UK fixed interest gilts	4.4	11.4	4.2	11.3	4.6	11.6
UK index-linked gilts	4.4	15.3	-	-	-	-
Hedge funds	6.8	29.0	6.7	22.3	6.7	23.3
High-yield corporate bonds	-	-	5.6	12.2	6.2	11.6
Cash and reinvested cash	4.4	107.8	3.7	40.4	3.8	25.0
Total market value of assets		<u>430.1</u>		<u>315.6</u>		<u>281.2</u>
Present value of scheme liabilities		(546.0)		(373.3)		
Deficit in the scheme		<u>(115.9)</u>		<u>(57.7)</u>		
Related deferred tax asset		34.8		17.3		
Net pension deficit		<u>(81.1)</u>		<u>(40.4)</u>		

Analysis of amounts charged to operating profit

<u>52 week period ended</u>	<u>52 week period ended</u>
-----------------------------	-----------------------------

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

	24 November 2006 US\$m	25 November 2005 US\$m (restated)
Current service cost	45.5	35.9
Total charged to operating profit	<u>45.5</u>	<u>35.9</u>

Analysis of the amount credited to net finance income

	52 week period ended 24 November 2006 US\$m	52 week period ended 25 November 2005 US\$m (restated)
Interest on pension plan liabilities	19.4	16.3
Expected return on assets in the pension plan	(24.2)	(20.3)
Net credit to net finance income	<u>(4.8)</u>	<u>(4.0)</u>

Analysis of amounts recognised in the statement of total recognised gains and losses

	52 week period ended 24 November 2006 US\$m	52 week period ended 25 November 2005 US\$m (restated)
Gain on assets	(47.5)	(22.9)
Experience loss / (gain) on liabilities	30.4	(9.9)
Loss on changes of assumptions (financial and demographic)	29.4	48.0
Total loss recognised in statement of total recognised gains and losses before adjustment for tax	<u>12.3</u>	<u>15.2</u>

Movement in deficit during the period

	52 week period ended 24 November 2006 US\$m	52 week period ended 25 November 2005 US\$m (restated)
Deficit in the scheme at beginning of the period	(57.7)	(41.6)
Current service cost	(45.5)	(35.9)
Contributions	3.5	25.4
Other finance income	4.8	4.0
Actuarial loss	(12.3)	(15.2)
Foreign exchange (losses) / gains on translation of deficit	(8.7)	5.6
Deficit in the scheme at end of the period	<u>(115.9)</u>	<u>(57.7)</u>

A history of experience gains and losses are as follows:

	24 November 2006	25 November 2005	26 November 2004	28 November 2003	29 November 2002
(Gain) / loss on plan assets:					
Amount	US\$(47.5)m	US\$(22.9)m	US\$16.2m	US\$(4.7)m	US\$12.9m
% of plan assets at end of the period	11.0%	7.3%	5.8%	2.0%	8.2%
Experience loss / (gain)					

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

on plan liabilities:					
Amount	US\$30.4m	US\$(9.9)m	US\$(7.8)m	US\$(5.9)m	US\$27.6m
% of plan liabilities at end of the period	5.6%	2.7%	2.4%	2.6%	16.9%
Total actuarial loss recognised in statement of total recognised gains and losses:					
Amount	US\$12.3m	US\$15.2m	US\$45.7m	US\$13.2m	US\$26.8m
% of plan liabilities at end of the period	2.3%	4.1%	14.2%	5.8%	16.4%

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period:

	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Current tax:		
UK corporation tax at 30% – current period	642,274	482,021
Adjustments in respect of previous periods	28,723	(5,294)
Overseas taxation	60,472	34,466
Total current tax (see note 11(b))	731,469	511,193
Deferred tax:		
Provisions and other timing differences	(515,201)	(288,424)
Adjustments in respect of previous periods	(32,136)	12,701
Total deferred tax (see note 19)	(547,337)	(275,723)
Tax charge on profit on ordinary activities	184,132	235,470

(b) Factors affecting tax charge for the period

The current tax assessed for the current period is higher than the standard rate of corporation tax in the UK of 30% (25 November 2005: 30%). The differences are explained below:

	52 week period ended 24 November 2006 US\$'000	52 week period ended 25 November 2005 US\$'000 (restated)
Profit on ordinary activities before tax	595,591	1,077,657
Profit on ordinary activities multiplied by standard rate in the UK 30%	178,677	323,297
UK dividend income not taxable	-	(77,100)
Expenses disallowed for the purposes of tax provision	4,907	4,676
Accelerated capital allowances and other timing differences	34,183	50,956
Timing differences in respect of equity-based compensation	467,768	233,767

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Pension contribution relief in excess of net pension cost charge	11,658	306
Exchange differences and other	5,553	(19,415)
Adjustment to tax in respect of prior years	28,723	(5,294)
Current tax charge for the period	731,469	511,193

The timing differences in respect of equity-based compensation comprises the net tax effect of the amounts charged to the profit and loss account during the period and those amounts paid to the employees during the period.

12. TANGIBLE FIXED ASSETS

The movements in tangible fixed assets during the period were as follows:

	Leasehold improvements US\$'000	Fixtures, fittings & equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
COST				
At 25 November 2005	8,626	2,087	16	10,729
Additions	215	267	-	482
Disposals	-	(589)	-	(589)
At 24 November 2006	8,841	1,765	16	10,622
DEPRECIATION				
At 25 November 2005	5,581	1,296	16	6,893
Charge for period (note 6)	1,604	229	-	1,833
Disposals	-	(589)	-	(589)
At 24 November 2006	7,185	936	16	8,137
NET BOOK VALUE				
At 24 November 2006	1,656	829	-	2,485
At 25 November 2005	3,045	791	-	3,836

13. FIXED ASSET INVESTMENTS

(a) Shares in subsidiary undertakings

Cost and Net Book Value	US\$'000
At 25 November 2005 and at 24 November 2006	50

- (i) The subsidiaries over which the company exercises control at the period end are listed below:

Name of company	Country of incorporation	Holding and proportion of voting rights	Number of shares in issue	Class of shares held	Nature of business
Goldman Sachs Europe Limited	Jersey	100%	100	Ordinary shares	Financial services
GS Global Funding (UK)	Great Britain	100%	2	Ordinary shares	Dormant

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Name of company	Country of incorporation	Holding and proportion of voting rights	Number of shares in issue	Class of shares held	Nature of business
Goldman Sachs Securities (Nominees) Limited	Great Britain	100%	2	Ordinary shares	Nominee company
Goldman Sachs (Jersey) Limited	Jersey	100%	50,000	Ordinary shares	Financial services

(b) **Other investments other than loans**

Cost and Net Book Value	24 November 2006 US\$'000	25 November 2005 US\$'000
Investment in equipment leasing partnership (see note (i))	67	67
Investment in exchange memberships (see note (ii))	2,762	2,570
Debentures (see note (iii))	38	37
	2,867	2,674

- (i) The company has a US\$67,000 investment in an equipment leasing partnership operating in the United Kingdom stated at cost.
- (ii) The company also has investments in exchange memberships which are unlisted.

Cost and Net Book Value	US\$'000
Exchange memberships:	
At 25 November 2005	2,570
Additions	192
At 24 November 2006	2,762

- (iii) The company holds debentures that are stated at cost and amortised over their useful economic life.

	US\$'000
COST	
At 25 November 2005	70
Additions	8
At 24 November 2006	78
AMORTISATION	
At 25 November 2005	33
Charge for period (note 6)	7
At 24 November 2006	40
NET BOOK VALUE	
At 24 November 2006	38
At 25 November 2005	37

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

- (iv) The company has interests in a number of special purpose vehicles and capital-guaranteed funds considered by the directors to be quasi-subsidiaries which do not meet the definition of a legal subsidiary, but give rise to the risks and rewards that are, in substance, no different than if they were legal subsidiaries.

The activities of these special purpose vehicles and the capital-guaranteed funds consist of the issuance of loan notes under the terms of a repackaging programme.

These vehicles are consolidated in the financial statements of Goldman Sachs Group Holdings (U.K.).

- (c) The directors consider that the value of investments in subsidiary undertakings and other investments other than loans is not less than their book value.

14. *TRADING INVENTORY*

Trading inventory comprises financial instruments and investments within the trading activities of the company. Included within trading inventory are amounts in respect of shares in group undertakings that were created solely with a view to resale and form part of the trading activities.

The details of these group undertakings are as follows:

Name of company	Country of incorporation	Holding and proportion of voting rights	Number of shares in issue	Class of shares held	Nature of business
Amagansett Financing	Great Britain	100 %	706,343	Preference shares	Financial services
GS Leasing Investments	Great Britain	94%	97,760,468	Units	Unit trust

15. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

Included within the resale agreements are amounts of US\$24,488,066,000 (25 November 2005: US\$15,794,866,000) which relate to group undertakings.

16. *DEBTORS*

	24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)
Deposits as collateral for stock borrowed	5,669,494	4,597,535
Amounts due from broker / dealers and customers	80,950,137	65,088,176
Amounts due from parent and group undertakings	144,220,910	135,085,561
Deferred tax (note 19)	1,161,591	610,578
Other debtors	39,073	87,234
Prepayments and accrued income	55,849	52,866

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

232,097,054

205,521,950

Of the amount due from parent and group undertakings, US\$36,045,000 (25 November 2005: US\$18,869,000) is due in more than one year. This relates to IPO awards and equity-based employee compensation. The remaining debtors are all due within one year of the balance sheet date.

17. CASH AT BANK AND IN HAND

Included within cash at bank and in hand is US\$9,050,403,000 (25 November 2005: US\$7,782,089,000) that is held on behalf of clients in segregated accounts.

18. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Included within the repurchase agreements are amounts of US\$13,268,438,000 (25 November 2005: US\$11,925,027,000) which relate to group undertakings.

19. DEFERRED TAX

	24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)
Deferred tax balance comprises (note 16):		
Capital allowances in excess of depreciation	11,454	3,643
Post-retirement benefits	34,780	17,319
Other timing differences	1,115,357	589,616
	<u>1,161,591</u>	<u>610,578</u>
	<u>US\$'000</u>	
The movements in the deferred tax balance were as follows:		
At 25 November 2005 (restated)	610,578	
Transfer to the profit and loss account for the period (note 11(a))	547,337	
Transfer to the statement of total recognised gains and losses for the period	3,676	
At 24 November 2006	<u>1,161,591</u>	

Other timing differences includes deferred tax in respect of equity-based compensation.

The directors consider that future profits will be available against which the deferred tax asset can be recovered.

20. OTHER CREDITORS

Other creditors, all of which are payable within one year of the balance sheet date, comprise:

	24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)
Bank loans and overdrafts	224,123	233,387
Debt securities issued	11,433,547	6,244,795
Deposits received as collateral for stock loans	41,473,775	46,285,404

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Amounts due to broker / dealers and customers	84,103,673	72,174,548
Amounts due to parent and group undertakings	97,223,551	86,003,178
Amounts due to subsidiary undertakings	8,593	6,304
Accrual for management charges payable to parent and group undertakings (see note 21(c))	1,766,577	1,056,614
Corporation tax payable	171,659	56,116
Other taxes and social security costs	193,339	121,010
Other creditors and accruals	1,171,309	816,580
	237,770,146	212,997,936

Of the other creditors falling due within one year US\$41,473,775,000 (25 November 2005 (restated): US\$46,285,404,000) is secured by marketable securities.

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	24 November 2006 US\$'000	25 November 2005 US\$'000
Long-term subordinated loans (note (a))	18,063,000	11,105,000
Debt securities issued (note (b))	617,965	2,674,562
Accrual for management charges payable to parent and group undertakings (note (c))	1,648,284	797,048
	20,329,249	14,576,610

(a) The amounts outstanding at 25 November 2005 and 24 November 2006 include long-term subordinated loans from parent undertakings. The loans are unsecured and carry interest at a margin over the London Inter-Bank Offer Rate ('LIBOR'). The long-term subordinated loans of US\$18,063 million (25 November 2005: US\$11,105 million) constitute regulatory capital as approved by the FSA. Of the US\$18,063 million, US\$15,085 million is repayable upon giving or receiving at least 2 years' notice to or from the parent undertaking and US\$2,978 million is repayable upon giving or receiving at least 5 years' notice to or from the parent undertaking. The repayment of subordinated debt is also subject to FSA approval.

(b) The maturity of debt securities issued due after more than one year is as follows:

	24 November 2006 US\$'000	25 November 2005 US\$'000
In more than one year, but not more than two years	503,811	406,471
In more than two years, but not more than five years	27,333	2,121,378
In more than five years	86,821	146,713
	617,965	2,674,562

Of the US\$504 million repayable in more than one year, but not more than two years US\$399 million is repayable to group undertakings.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

- (c) The accrual for management charges in notes 20 and 21 is in respect of restricted stock awards and long-term incentive schemes.

22. PROVISIONS FOR LIABILITIES AND CHARGES

	US\$'000
At 25 November 2005 and 24 November 2006	<u>25,000</u>

The provision of US\$25,000,000 was made in respect of legal claims made against the company. Further details relating to these claims have not been disclosed as permitted by accounting standard FRS 12, 'Provisions and Contingent Liabilities', on the grounds that it would be seriously prejudicial to do so.

23. SHARE CAPITAL

At 25 November 2005 and 24 November 2006 share capital comprised:

	24 November 2006		25 November 2005	
	No.	US\$'000	No.	US\$'000
<u>Authorised</u>				
Ordinary shares of US\$1 each	950,000,000	950,000	250,000,000	250,000
Class A preference shares of US\$0.01 each	1,500,000,000	15,000	1,500,000,000	15,000
Class B preference shares of US\$0.01 each	500,000,000	5,000	500,000,000	5,000
		<u>970,000</u>		<u>270,000</u>
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$1 each	474,758,760	474,759	163,407,724	163,408
Class A preference shares of US\$0.01 each	958,659,363	9,586	958,659,363	9,586
Class B preference shares of US\$0.01 each	227,906,977	2,279	227,906,977	2,279
		<u>486,624</u>		<u>175,273</u>

The class A and class B preference shares carry limited voting rights and on a winding up the holders have a preferential right to return of capital together with any premium. Class A preference shares have a fixed non-cumulative dividend payable at a rate of 8 cents per share per annum. Class B preference shares have a fixed non-cumulative dividend at a rate of 10 cents per share per annum.

On 15 December 2005, 3,464,431 ordinary shares of US\$1 each were allotted at US\$22.86 to Goldman Sachs Holdings (U.K.) and 34,994 ordinary shares of US\$1 each were allotted at US\$22.86 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$80,000,000 in cash incorporating a share premium of US\$76,500,575.

On 9 March 2006, 3,125,493 ordinary shares of US\$1 each were allotted at US\$25.34 to Goldman Sachs Holdings (U.K.) and 31,571 ordinary shares of US\$1 each were allotted at US\$25.34 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$80,000,000 in cash incorporating a share premium of US\$76,842,936.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

On 7 November 2006, the authorised share capital was increased to US\$970,000,000 by creating an additional 700,000,000 ordinary shares of US\$1 each. In addition, 297,000,000 ordinary shares of US\$1 each were allotted at par to Goldman Sachs Holdings (U.K.) and 3,000,000 ordinary shares of US\$1 each were allotted at par to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$300,000,000 in cash.

On 24 November 2006, 4,647,602 ordinary shares of US\$1 each were allotted at US\$24.39 to Goldman Sachs Holdings (U.K.) and 46,945 ordinary shares of US\$1 each were allotted at US\$24.39 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$114,500,000 in cash incorporating a share premium of US\$109,805,453.

These share issues were in order to increase the company's regulatory capital to support ongoing business activities.

24. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account US\$'000	Capital reserve (non-distributable) US\$'000	Profit and loss account US\$'000
At 25 November 2005 as previously stated (note 4)	2,210,929	17,286	2,635,260
Prior period adjustment	-	-	(104,807)
At 26 November 2005	2,210,929	17,286	2,530,453
Profit for the financial year	-	-	411,459
Dividends paid (note 25)	-	-	(99,483)
Other recognised gains and losses for the period	-	-	(8,576)
Shares issued (note 23)	263,149	-	-
At 24 November 2006	2,474,078	17,286	2,833,853

Pension reserve

	24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)
Profit and loss reserve excluding pension deficit	2,949,785	2,588,184
Pension reserve	(115,932)	(57,731)
Profit and loss reserve	2,833,853	2,530,453

25. DIVIDENDS

	24 November 2006 US\$'000	25 November 2005 US\$'000
Dividends on non-equity shares:		
US\$0.01 Class A fixed rate preference shares	76,693	76,693
US\$0.01 Class B fixed rate preference shares	22,790	22,790
	99,483	99,483

26. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

24 November 2006 US\$'000	25 November 2005 US\$'000 (restated)

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

Profit for the financial year	411,459	842,187
Other recognised losses relating to the period (net)	(8,576)	(10,628)
	402,883	831,559
Payment of preference share dividends	(99,483)	(99,483)
Issue of ordinary shares (see note 23)	574,500	212,000
Net addition to shareholders' funds	877,900	944,076
Opening shareholders' funds as restated / previously stated	4,933,941	4,086,236
Prior period adjustment	-	(96,371)
Opening shareholders' funds restated	4,933,941	3,989,865
Closing shareholders' funds	5,811,841	4,933,941

27. FINANCIAL RISK MANAGEMENT

Normal trading activities expose the company to market, credit, and liquidity risk. These risks, described below, are managed in accordance with established risk management policies and procedures.

The Goldman Sachs Group, Inc. manages market, credit and liquidity risk on a consistent basis, firmwide. Consequently, GSI, as part of a global group, adheres to global risk management policies and procedures.

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems. In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of our risk management process. These committees meet regularly and consist of senior members of both our revenue-producing units and departments that are independent of our revenue-producing units. In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance, Legal, Management Controls (Internal Audit) and Operations, perform global risk management functions, which include monitoring, analysing and evaluating risk.

(a) Market risk

The potential for changes in the market value of our trading and investing positions is referred to as market risk. Such positions result from market making, specialist and proprietary trading, investing and underwriting activities. Categories of market risk include exposures to interest rates, equity prices, currency rates and commodity prices. A description of each market risk category is set forth below:

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads;
- equity price risk results from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices; and
- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

We seek to manage these firmwide risks through diversifying exposures, controlling position sizes and establishing hedges in related securities or derivatives. The ability to manage an exposure may, however, be limited by adverse changes in the liquidity of the security or the related hedge instrument and in the correlation of price movements between the security and the related hedge instrument.

Firmwide market risk limits are monitored on a daily basis by the Finance Division and are reviewed regularly by the appropriate risk committee.

In addition to applying business judgement, senior management uses a number of quantitative tools to manage our exposure to market risk. These tools include:

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are updated and monitored on a daily basis. VaR represents the potential loss in value of the company's trading positions due to adverse market movements over a defined time horizon with respect to a specified confidence level;
- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets; and
- inventory positions limits for certain business units (determined at a firmwide level).

(b) Credit risk

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations to us or upon a deterioration in the credit quality of third parties whose securities or obligations we hold.

To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. In addition, we attempt to further reduce credit risk with certain counterparties by:

- entering into agreements that enable us to obtain collateral from a counterparty or to terminate or reset the terms of the transactions after specified time periods or upon the occurrence of credit related events;
- seeking third-party guarantees of the counterparty's obligations; and
- through the use of credit derivatives and other structures and techniques.

For most businesses, counterparty credit limits are established by the Credit Department, which is independent of the revenue-producing departments, based on guidelines set by the Firmwide Risk Committee and the Credit Policy Committee. For most products, we measure and limit credit exposures by

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

reference to both current and potential exposure. We typically measure potential exposure based on projected worst case market movements over the life of the transactions. For collateralised transactions, we also evaluate potential exposure over a shorter collection period and give effect to the value of the collateral received. We further seek to measure credit exposure through the use of scenario analyses, stress tests and other quantitative tools. Our global credit management systems monitor current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. These systems also provide management, including the Firmwide Risk and Credit Policy Committees with information, regarding overall credit risk by product, industry sector, country and region.

(c) Liquidity risk

Liquidity is of critical importance to companies in the financial services sector. Accordingly, the company has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both firmwide-specific and broader industry or market liquidity events. Our principal objective is to be able to fund the company and to enable our core business to continue to generate revenue under adverse circumstances.

Management has implemented a number of policies according to the following liquidity risk management framework:

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations;
- asset liability management – ensure that we fund our assets with appropriate financing; and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan.

28. FINANCIAL COMMITMENTS AND CONTINGENCIES

- (a) The company's only financial commitments and contingencies outstanding at the period end arise from letters of credit and forward foreign exchange, swaps, options, financial futures contracts, debt and equity forwards and underwriting commitments entered into in the ordinary course of business. The company is exempt from the disclosures required by FRS 13, 'Derivatives and other financial instruments: disclosures', as it does not meet the FRS 13 definition of a bank or similar institution nor does it have capital instruments that are publicly listed or traded.

In addition, there are registered charges on the company's assets which have arisen in the ordinary course of business.

- (b) The company leases certain buildings on long-term leases. Under these leases, which are subject to renegotiation at various intervals specified in the leases, the company pays all insurance, maintenance and repairs of these

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 24 NOVEMBER 2006

properties. The rentals that the company is committed to pay in the next year are as follows:

	24 November 2006 US\$'000	25 November 2005 US\$'000
Maturity of lease:		
Less than one year	1,361	857
Between 1 and 2 years	76	1,147
Between 2 and 5 years	3,127	1,703
Over 5 years	125,633	111,387
	130,197	115,094

29. ***RELATED PARTY DISCLOSURES***

Under the terms of paragraph 3(c) of FRS 8, 'Related Party Disclosures', the company is exempt from disclosing transactions with companies 90% or more controlled within the same group, as the consolidated financial statements in which the company is included are publicly available.

30. ***ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS***

The immediate parent undertaking is Goldman Sachs Holdings (U.K.), and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U.K.), a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its accounts can be obtained from 85 Broad Street, New York, NY 10004, United States of America.

ANNEX 2

Company number: 02263951

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

25 NOVEMBER 2005

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the 52 week period ended 25 November 2005.

1. Principal activities

The company provides a wide range of financial services to clients located worldwide and undertakes proprietary trading. The company is regulated by The Financial Services Authority. The company's share capital is denominated in US dollars and the company is part of a US dollar reporting group. Accordingly, the company's functional currency is US dollars and these financial statements have been prepared in that currency.

2. Review of business and future developments

The profit and loss account for the period is set out on page 4.

The directors consider that the period end financial position of the company was satisfactory.

3. Dividends

The directors declared and paid a preference dividend of US\$99,483,000 during the period (52 week period ended 26 November 2004: US\$99,483,000). The directors do not recommend the payment of a final ordinary dividend in respect of the period (52 week period ended 26 November 2004: US\$Nil).

4. Share capital

On 29 July 2005 the company issued 4,153,207 ordinary shares of US\$1 each in return for consideration of US\$90,000,000.

On 25 November 2005 the company issued 5,520,362 ordinary shares of US\$1 each in return for consideration of US\$122,000,000.

These share issues were in order to increase the company's regulatory capital to support ongoing business activities (see note 22).

5. Post balance sheet event

Effective 15 December 2005, the company issued 3,499,425 ordinary shares of US\$1 each in return for consideration of US\$80,000,000.

This share issue was in order to increase the company's regulatory capital to support ongoing business activities (see note 29).

6. Exchange rate

The US dollar/sterling exchange rate at the balance sheet date was 1.7131 (26 November 2004: 1.8963). The average rate for the period was 1.8293 (52 week period ended 26 November 2004: 1.8216).

7. Employment of disabled persons

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers within the

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

group. Training, career development and promotion of disabled persons is, to the extent possible, identical to that of other employees who are not disabled.

8. Employee involvement

It is group policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects. Employees share in performance based incentive schemes.

9. Directors

The directors of the company during the period, and as at the date of this report, together with dates of appointment or resignation where applicable, were:-

Name	Appointed	Resigned
P. D. Sutherland, Chairman		
P. A. Weinberg		21 June 2005
R. S. Sharp		
P. C. Deighton		
M. S. Sherwood		
C. Costamagna		25 April 2005
G. E. Dyal		25 April 2005
D. C. Grip		
S. O. Donohoe		
A. Loudiadis	25 January 2005	
M.C.H. Westerman	25 January 2005	
C. G. French	19 April 2005	
Y. Zaoui	19 April 2005	
S. B. Kapnick	1 September 2005	

No director has, or had during the period, any interest requiring note herein.

10. Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for that period. In preparing the financial statements, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards, modified as explained in note 1(e), have been followed, and the financial statements have been prepared on a going concern basis. The directors are responsible for keeping proper accounting records, and for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

11. Auditors

The company has passed Elective Resolutions in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors.

**GOLDMAN SACHS INTERNATIONAL
(unlimited company)**

PricewaterhouseCoopers LLP will, accordingly, continue in office as Auditors of the company pursuant to Section 386 of the Companies Act 1985.

12. Charitable contributions

During the period, an amount of US\$1,299,703 (52 week period ended 26 November 2004: US\$2,022,000) was donated to charity.

**BY ORDER OF THE BOARD
D. J. GROUNSELL
Secretary
20 February 2006**

**GOLDMAN SACHS INTERNATIONAL
(unlimited company)**

**Independent auditors' report to the members of
GOLDMAN SACHS INTERNATIONAL
(unlimited company)**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 25 November 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London 22 February 2006

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

PROFIT AND LOSS ACCOUNT

for the 52 week period ended 25 November 2005

	Note	52 week period ended 25 November 2005 US\$'000	52 week period ended 26 November 2004 US\$'000
Trading profit	3	5,339,449	3,754,687
Administrative expenses		(3,949,786)	(2,874,381)
Exceptional administrative expenses	5	(112,203)	(60,675)
OPERATING PROFIT	5	1,277,460	819,631
Income from shares in group undertakings	6	257,000	-
Interest payable and similar charges	7	(459,934)	(252,281)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,074,526	567,350
Tax charge on profit on ordinary activities	10	(234,531)	(175,626)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		839,995	391,724
Dividends paid - preference (non equity)	24	(99,483)	(99,483)
RETAINED PROFIT FOR THE PERIOD	23	740,512	292,241

The trading and operating profit of the company is derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the profit for the period as stated above and their historical cost equivalents except as explained in note 1(e).

The company has no recognised gains and losses other than those included in the profit for the period shown above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 6 to 25 form part of these financial statements.⁴

Auditors' report - page 3.

⁴ For the purpose of this Base Prospectus, the notes on pages A-2-8 to A-2-27 form an integral part of these financial statements.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

BALANCE SHEET
as at 25 November 2005

	Note	25 November 2005 US\$'000	26 November 2004 US\$'000
FIXED ASSETS			
Tangible assets	11	3,836	5,661
Shares in subsidiary undertakings	12(a)	50	887,354
Other investments other than loans	12(b)	2,674	7,676
		<u>6,560</u>	<u>900,691</u>
CURRENT ASSETS			
Trading inventory	13	83,319,953	72,431,557
Securities purchased under agreements to resell	14	52,911,893	29,370,674
Debtors	15	272,708,756	204,630,343
Cash at bank and in hand	16	8,370,420	10,685,042
		<u>417,311,022</u>	<u>317,117,616</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trading inventory sold not yet purchased		(58,833,117)	(55,688,869)
Securities sold under agreements to repurchase	17	(58,706,441)	(28,523,995)
Other creditors	18	(280,137,666)	(219,653,465)
		<u>(397,677,224)</u>	<u>(303,866,329)</u>
NET CURRENT ASSETS			
		<u>19,633,798</u>	<u>13,251,287</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		19,640,358	14,151,978
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	19	(14,576,610)	(10,040,742)
PROVISIONS FOR LIABILITIES AND CHARGES			
	20	(25,000)	(25,000)
		<u>5,038,748</u>	<u>4,086,236</u>
CAPITAL AND RESERVES			
Called up share capital	22	175,273	165,599
Share premium account	23	2,210,929	2,008,603
Capital reserve (non-distributable)		17,286	17,286
Profit and loss account	23	2,635,260	1,894,748
Equity shareholders' funds		3,749,270	2,796,758
Non-equity (preferred) shareholders' funds		1,289,478	1,289,478
TOTAL SHAREHOLDERS' FUNDS			
		<u>5,038,748</u>	<u>4,086,236</u>

Approved by the Board of Directors on 20 February 2006

Director

The notes on pages 6 to 25 form part of these financial statements.⁵

Auditors' report – page 3.

⁵ For the purpose of this Base Prospectus, the notes on pages A-2-8 to A-2-27 form an integral part of these financial statements.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

1. ACCOUNTING POLICIES

- (a) **Accounting convention:** These financial statements have been prepared under the historical cost convention (modified as explained in note 1(e)), the accounting policies set out below, and in accordance with applicable Accounting Standards in the United Kingdom and pronouncements of the Urgent Issues Task Force (UITF).
- (b) **Consolidation:** The company is a subsidiary undertaking of a company incorporated in England and Wales and has elected not to prepare group accounts in accordance with the dispensation set out in section 228(1) of the Companies Act 1985.
- (c) **Tangible fixed assets:** Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives at the following annual rates:

	%
Fixtures, fittings and equipment	14-20
Motor vehicles	20

Leasehold improvements are depreciated over the shorter of the useful economic life of the asset or the remaining life of the lease when the asset is brought into use.

- (d) **Fixed asset investments:**
- (i) Shares in group undertakings, which are intended to be held on a continuing basis in the company's activities, are stated at cost less any provision for permanent diminution in value.
 - (ii) Equipment leasing partnerships are stated at cost less provision for any impairment.
 - (iii) Investments in exchange memberships are stated at cost less provision for any impairment.
 - (iv) Debentures are stated at cost less any provision for permanent diminution in value and amortised over their useful economic life.
 - (v) Other investments are stated at cost less provision for any impairment.
- (e) **Trading inventory:** Trading inventory and trading inventory sold not yet purchased consists of financial instruments carried at fair value or amounts that approximate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. In determining fair

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

value, the company separates financial instruments into two categories—cash (i.e., non-derivative) trading instruments and derivative contracts.

The fair values of cash trading instruments are generally obtained from quoted market prices in active markets, broker or dealer price quotations, or alternative pricing sources with a reasonable level of price transparency. However, certain cash trading instruments trade infrequently and, therefore, have little or no price transparency. The company generally does not adjust underlying valuation assumptions on these instruments unless there is substantive evidence supporting a change in the value of the underlying instrument or valuation assumptions. Cash trading instruments owned by the firm (long positions) are marked to bid prices and instruments sold but not yet purchased (short positions) are marked to offer prices. If liquidating a position is reasonably expected to affect its prevailing market price, the valuation is adjusted generally based on market evidence or predetermined policies. In certain circumstances, such as for highly illiquid positions, management's estimates are used to determine this adjustment.

(f) **Trading inventory (continued):**

The fair values of the company's derivative contracts consist of exchange-traded and over-the-counter (OTC) derivatives. The fair values of the company's exchange-traded derivatives are generally determined from quoted market prices. OTC derivatives are valued using valuation models. The company uses a variety of valuation models including the present value of known or estimated cash flows, option pricing models and option-adjusted spread models. The valuation models used to derive the fair values of the company's OTC derivatives require inputs including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. The selection of a model to value an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The company generally uses similar models to value similar instruments. Where possible, the company verifies the values produced by its pricing models to market transactions. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model selection does not involve significant judgment because market prices are readily available. For OTC derivatives that trade in less liquid markets, model selection requires more judgment because such instruments tend to be more complex and pricing information is less available in the market. As markets continue to develop and more pricing information becomes available, the firm continues to review and refine the models it uses. At the inception of an OTC derivative contract, the company values the contract at the model value if the company can verify all of the significant model inputs to observable market data and verify the model to market transactions. Otherwise the contract is valued at the transaction price. Following inception, inputs to the valuation models are adjusted only to the extent that the company has substantive evidence to support a change. When appropriate, valuations are adjusted to take account of various factors such as liquidity, bid/offer and credit considerations. These adjustments are generally based on market evidence or predetermined policies. In certain circumstances,

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

such as for highly illiquid positions, management's estimates are used to determine these adjustments.

The gains or losses resulting from the application of this policy are taken to the profit and loss account, which represents a departure, as far as gains are concerned, from the Companies Act 1985, which states that profits on a revaluation be credited to a revaluation reserve. The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the company's trading activities, in accordance with section 226(5) of the Companies Act 1985. The directors consider that it is not practicable, and moreover would be misleading, to quantify the effect of non-compliance with the Act. As the trading inventory represents the trading portfolio of the company the directors are of the opinion that it would not be appropriate to classify it as current asset investments, or to provide an analysis of such securities between those listed and unlisted.

- (g) **Repurchase and resale agreements:** Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions as they meet the requirements defined in FRS 5 and are carried at the amount at which the securities were sold or acquired plus the accrued interest as specified in the respective agreements.
- (h) **Operating leases:** Costs in respect of operating leases are charged on a straight line basis over the lease term.
- (i) **Netting:** Amounts due from/to clients in respect of unsettled trading transactions are stated at the gross amounts unless the offset requirements of FRS 5 are met, in which cases such balances are stated on a net basis. Amounts due from/to counterparties in respect of derivative transactions are only offset where a legally binding netting agreement exists.
- (j) **Deferred taxation:** Full provision is made for deferred taxation in respect of all differences in timing between the accounting and tax treatments of income and expenses. The timing differences are recognised as deferred tax liabilities or assets, measured at the average tax rates that are expected to apply in periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantially enacted by the balance sheet date. An asset is not recognised if the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.
- (k) **Foreign currencies:** Transactions denominated in foreign currencies are translated into US dollars at rates of exchange ruling on the date the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at rates of exchange ruling at the balance sheet date. Gains and losses on exchange are recognised in operating profit.
- (l) **Trading Profit:** The operating results for the period include all profits arising from the trading operations of the company, including profits and losses arising both on the purchase and sale of securities. Purchases and sales of securities are accounted for on a trade date basis.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

- (m) **Corporate finance fees:** Corporate finance and advisory fee income is recognised when the work is substantially complete, the relevant parties are contractually bound and the final fee can be estimated with a reasonable degree of accuracy.
- (n) **Money broker deposits:** Deposits with money brokers and deposits received from money brokers are carried at the amounts of cash collateral advanced and received in connection with the transactions. The company measures the market value of the securities borrowed and loaned against the collateral on a daily basis and obtains or provides additional collateral as appropriate.
- (o) **Pension cost:** The company participates in a hybrid pension plan for the benefit of certain employees. This comprises:
 - (i) A defined benefit scheme, for which the costs are charged to the profit and loss account on the basis of the contribution rate determined by the actuary. Variations from regular cost are allocated over the remaining service lives of current employees within the scheme.
 - (ii) A defined contribution scheme, for which the costs of providing the expected retirement benefits to relevant employees are charged to the profit and loss account in the period in which they are incurred.
- (p) **Capital Instruments:**
 - (i) **Loan notes:** Loan notes issued are initially recorded at the proceeds received after deducting issue costs. Finance costs, including discounts allowed on issue, are recognised at a constant rate on the carrying amount of debt in accordance with the provisions of FRS 4. All finance costs are charged to the profit and loss account.
 - (ii) **Debt securities issued:** The company has issued debt securities with varying maturities to investors. These are initially recorded at the value of the proceeds received. These securities provide a payout to investors based on movements in the value of an underlying index or credit. At each period end, movements in the fair value of the underlying index or credit represent the finance cost to the company and are included in the carrying amount of the securities. Finance costs are included within trading interest payable.

2. CASHFLOW STATEMENT

The company is a greater than 90% subsidiary of The Goldman Sachs Group, Inc., and is therefore exempt from preparing a cashflow statement as required by FRS1 as the ultimate parent company accounts are publicly available.

3. TRADING PROFIT

Trading profit has been disclosed instead of turnover as this reflects more meaningfully the nature and results of the company's activities. Trading profit, after charging related expenses, includes the net profit arising from transactions in securities, foreign exchange

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

and other financial instruments, and fees and commissions earned. Related expenses include trading interest payable less trading interest and dividends receivable.

4. SEGMENTAL REPORTING

The company's trading profit is categorised into the following three principal segments: Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services.

	52 week period ended 25 November 2005	52 week period ended 26 November 2004
	US\$'000	US\$'000
Investment Banking	863,272	640,288
Trading and Principal Investments	3,634,646	2,449,480
Asset Management and Securities Services	841,531	664,919
	5,339,449	3,754,687

Investment Banking

The company's investment banking activities are divided into two categories:

Financial Advisory - Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defence activities, restructuring and spin offs; and

Underwriting - Underwriting includes public offerings and private placements of equity, equity-related and debt instruments.

Trading and Principal Investments

Trading and Principal Investments is divided into three categories:

FICC (Fixed Income, Currencies and Commodities) - The company makes markets in and trades interest rate and credit products, mortgage backed securities and loans, currencies and commodities, structures and enters into a wide variety of derivative transactions, and engages in proprietary trading and investing.

Equities - The company makes markets in, acts as a specialist for, and trades equities and equity related products, structures and enters into equity derivative transactions, and engages in proprietary trading. The company also executes and clears customer transactions on major stock, options and futures exchanges worldwide; and

Principal Investments - Principal Investments primarily represents fees from group companies for sourcing and associated work with regard to the group's merchant banking investments.

Trading and Principal Investments also includes variable costs such as brokerage, clearance and underwriting expenses that are offset against trading profit.

Asset Management and Securities Services

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

The Asset Management and Securities Services segment includes services related to the following:

Asset Management - Asset Management provides investment advisory and financial planning services to a diverse group of institutions and individuals worldwide and primarily generates revenues in the form of management and incentive fees;

Securities Services - Securities Services provides prime brokerage, financing services and securities lending services to mutual funds, hedge funds, foundations and high-net-worth individuals worldwide, and generates revenues primarily in the form of interest rate spreads or fees.

Geographic Analysis

Due to the highly integrated nature of International financial markets, the directors consider that the company operates in a single global market. As a result, no disclosure of segmental information relating to the geographical origin of results has been provided.

5. OPERATING PROFIT

	52 week period ended 25 November 2005 US\$'000	52 week period ended 26 November 2004 US\$'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	2,042	2,470
Amortisation of fixed asset investments	7	7
Management fees charged by group undertakings	1,266,473	1,263,169
Management fees charged to group undertakings	(293,885)	(256,812)
Exceptional management fee charged in respect of restricted stock units	112,203	60,675
Auditors' remuneration:		
- audit services	4,907	4,036
- non audit services	582	569
Operating lease rentals	103,981	103,606
Trading interest payable:		
- group undertakings	2,816,091	1,386,494
- other	3,986,708	2,100,581
Trading interest receivable:		
- group undertakings	(3,440,257)	(1,578,839)
- other	(4,474,968)	(2,804,968)

The exceptional administrative expenses comprise a management fee which relates to restricted stock units and options awarded to employees following the initial public offering of The Goldman Sachs Group, Inc. on the New York Stock Exchange on 7 May 1999. The fee for the period comprises the amortisation of the costs of the awards and the adjustment to reflect the market value of the units at the balance sheet date.

6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Income from shares in group undertakings represents a dissolution distribution from GS Global Funding (UK) (see note 12 (a)(ii)).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 week period ended 25 November 2005 US\$'000	52 week period ended 26 November 2004 US\$'000
--	---	---

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

Payable to parent undertakings	425,798	199,580
Amortisation of discount payable on zero coupon loan notes (note 18 (b))	34,136	52,701
	459,934	252,281

Interest payable and similar charges payable to parent undertakings arise on subordinated loans repayable within five years otherwise than by instalments.

8. DIRECTORS' EMOLUMENTS

	52 week period ended 25 November 2005	52 week period ended 26 November 2004
	US\$'000	US\$'000
Aggregate emoluments	20,429	18,284
Company pension contributions to money purchase schemes	831	165
	21,260	18,449
Highest paid director:		
Aggregate emoluments and benefits	11,564	8,967
Company pension contributions to money purchase schemes	4	4
Defined benefit schemes:		
Accrued pension at end of year	9	8

In accordance with the Companies Act 1985, directors' emoluments above represent the proportion of total emoluments paid or payable in respect of qualifying services only. Directors also receive emoluments for non-qualifying services which are not required to be disclosed. Certain directors of the company also received options over shares in the ultimate parent company which is registered outside the United Kingdom. Twelve persons who were directors for some or all of the period, or who were approved thereafter are members of the defined contribution pension scheme and defined benefit pension scheme. Thirteen directors have been granted shares in respect of long term incentive schemes. One director has exercised options.

9. STAFF COSTS

The average number of employees of the company, including directors, is analysed below:

	52 week period ended 25 November 2005	52 week period ended 26 November 2004
	Number	Number
Trading, sales, advisory, research and asset management	1,965	1,858
Support, finance, operations and technology	1,613	1,457
	3,578	3,315

The employment costs incurred by the company, including those relating to directors, were:

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

	52 week period ended 25 November 2005	52 week period ended 26 November 2004
	US\$'000	US\$'000
Aggregate gross wages and salaries	2,084,479	1,406,219
Employer's national insurance contributions	181,687	157,281
Pension costs	51,624	45,230
Total direct costs of employment	2,317,790	1,608,730

Pension schemes

The company operates an open pension plan with a hybrid structure, having both defined benefit and defined contribution sections. The most recent formal valuation of the Plan was carried out by the scheme actuary as at 1 December 2003 using the projected unit funding method. The financial assumptions underlying the funding of the Plan which had the most significant effect on the pension cost are set out below:

	<u>% per annum</u>
Investment return	6.75
Rate of increase in salaries	4.75
Rate of increase in pensions (post-30 November 1996 accrual)	2.75
Rate of price inflation	2.75

At the date of the valuation the total market value of the assets of the defined benefit section of the Plan was US\$236.3 million (£137.2 million), excluding a prepayment of 2004 contributions to the Plan of US\$16.4 million (£9.5 million), which represented some 133% of the value of benefits accrued by members at that date, after allowing for assumed future increases in earnings and on the basis that the Plan continues. However, under the terms of the Plan Trust Deed, the Plan is required to fund benefits accrued prior to 1 December 1996 on an insurance company buy-out basis. On this basis, the market value of the accumulated assets might have exceeded the accrued Plan liabilities by only US\$19.8 million (£11.5 million). In view of this surplus, the company agreed to maintain the contribution rate at 5.7% of limited qualifying salaries for one year, increasing to 6.1% of limited qualifying salaries with effect from 1 December 2004, plus the cost of life insurance premiums.

SSAP 24

For the purposes of compliance with SSAP24, calculations as at 1 December 2003 were carried out by the scheme actuary to assess the pension costs relating to the defined benefit section of the Plan. The regular cost on the assumptions summarised above is 6.1% of limited qualifying salaries, plus the cost of life insurance premiums which are met by the company. However, because of the excess of assets over liabilities on an ongoing basis as detailed above, a variation to regular cost arises. The financial effect of this variation is being spread over a period of 10 years, representing the average future working lifetime of employees. A prepayment as at 25 November 2005 of US\$92.0 million (£53.7 million) (26 November 2004: US\$96.1 million (£50.7 million)) arose under the SSAP24 valuation of the Plan. Included in the total pension costs of US\$51.6 million for the year ended 25 November 2005, are amounts of US\$19.9 million (£10.9 million) in

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

respect of the defined benefit section of the Plan and US\$31.7 million (£17.3 million) of contributions paid by the company in respect of the defined contribution section of the Plan.

FRS 17

The disclosures for the defined benefit section of the scheme required under the transitional arrangements within FRS17 'Retirement Benefits' have been calculated by qualified independent actuaries, based on the most recent full actuarial valuation at 1 December 2003 updated to 25 November 2005. The asset and liability figures shown below for the purposes of FRS17 have been calculated as a proportion of the total Plan assets and liabilities, based on Goldman Sachs International's proportion of the active membership as advised at the start and end of the year.

The financial assumptions used for FRS17 purposes were:

	25 November 2005 % per annum	26 November 2004 % per annum	28 November 2003 % per annum	29 November 2002 % per annum
Discount rate	4.90	5.25	5.6	5.75
Rate of increase in salaries	4.85	4.80	4.75	4.50
Rate of increase in pensions (post-30 November 1996 accrual)	2.85	2.80	2.75	2.50
Rate of price inflation	2.85	2.80	2.75	2.50

The assets in the Plan attributable to Goldman Sachs International and the expected rates of return were:

	25 November 2005		26 November 2004		28 November 2003		29 November 2002	
	Expected rate of return % pa	Market value US\$m	Expected rate of return % pa	Market value US\$m	Expected rate of return % pa	Market value US\$m	Expected rate of return % pa	Market value US\$m
UK Equities	8.1	142.7	8.2	131.4	8.5	111.9	8.5	96.0
Overseas Equities	8.1	86.7	8.2	78.3	8.5	66.6	8.5	33.6
UK Fixed Interest	4.2	11.3	4.6	11.6	5.0	8.4	4.5	13.4
Hedge Funds	6.7	22.3	6.7	23.3	7.2	15.0	-	-
High yield corporate bonds	5.6	12.2	6.2	11.6	7.2	9.3	-	-
Cash and reinvested cash	3.7	40.4	3.8	25.0	7.0	25.1	7.2	14.4
Total		315.6		281.2		236.3		157.4

The following amounts were measured in accordance with the requirements of FRS17:

	25 November 2005 US\$m	26 November 2004 US\$m	28 November 2003 US\$m	29 November 2002 US\$m
Total market value of plan assets	315.6	281.2	236.3	157.4
Present value of plan liabilities	(373.3)	(322.8)	(229.0)	(163.2)
(Deficit)/surplus in the plan	(57.7)	(41.6)	7.3	(5.8)
Related deferred tax asset/(liability)	17.3	12.5	(2.2)	1.7
Net pension (liability)/asset	(40.4)	(29.1)	5.1	(4.1)

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

If the above amounts had been recognised in the accounts, the company's net assets and profit and loss account reserve, would be as follows:

	25 November 2005 US\$m	26 November 2004 US\$m	28 November 2003 US\$m	29 November 2002 US\$m
Net assets excluding pension asset	5,038.7	4,086.2	3,379.4	2,855.7
Pension (liability)/asset	(40.4)	(29.1)	5.1	(4.1)
Net assets including pension liability	4,998.3	4,057.1	3,384.5	2,851.6
Profit and loss account reserve excluding pension asset	2,635.2	1,894.7	1,602.5	1,437.2
Pension reserve	(40.4)	(29.1)	5.1	(4.1)
Profit and loss account reserve	2,594.8	1,865.6	1,607.6	1,433.1

For the purpose of the above disclosure, the effect of the write off to the profit and loss account of the pension prepayment of US\$92.0 million (26 November 2004: US\$96.1 million) and related deferred tax liability of US\$27.6 million (26 November 2004: US\$28.8 million) carried by the company under SSAP24, is not included.

The following amounts would have been recognised in the financial statements in the period ended 25 November 2005 and period ended 26 November 2004 under the requirements of FRS17:

	52 week period ended 25 November 2005 US\$m	52 week period ended 26 November 2004 US\$m
Analysis of amounts charged to operating profit:		
Current service cost	35.9	27.0
Total charged to operating profit	35.9	27.0
Analysis of the amount credited to other finance income:		
Interest on pension plan liabilities	16.3	13.5
Expected return on assets in the pension plan	(20.3)	(20.2)
Net credit to other finance income	(4.0)	(6.7)
Total P&L charge before deduction for tax	31.9	20.3
Analysis of amounts recognised in Statement of Total Recognised Gains and Losses:		
(Gain)/loss on assets	(22.9)	16.2
Experience gain on liabilities	(9.9)	(7.8)
Loss on changes of assumptions (financial and demographic)	47.9	37.3
Total loss recognised in Statement of Total		

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

Recognised Gains and Losses before adjustment for tax	15.1	45.7
Movement in deficit during the period:		
(Deficit)/surplus in the scheme at beginning of the period	(41.6)	7.8
Current service cost	(35.9)	(27.0)
Contributions	30.9	16.6
Other finance income	4.0	6.7
Actuarial loss	(15.1)	(45.7)
(Deficit)/surplus in the scheme at end of the period	(57.7)	(41.6)

A history of experience gains and losses are as follows:

	25 November 2005	26 November 2004	28 November 2003	29 November 2002
(Gain)/loss on plan assets:				
Amount	US\$(22.9)m	US\$16.2m	US\$(4.7)m	US\$12.9m
% of plan assets at end of the period	7.3%	5.8%	2.0%	8.2%
Experience (gain)/loss on plan assets/(liabilities):				
Amount	US\$(9.9)m	US\$(7.8)m	US\$(5.9)m	US\$27.6 m
% of plan liabilities at end of the period	2.7%	2.4%	2.6%	16.9%
Total actuarial loss recognised in STRGL:				
Amount	US\$15.1m	US\$45.7m	US\$13.2m	US\$26.8m
% of plan liabilities at end of the period	4.0%	14.2%	5.8%	16.4%

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge for the period:

	52 week period ended 25 November 2005 US\$'000	52 week period ended 26 November 2004 US\$'000
Current tax		
UK corporation tax at 30% - current period	493,803	95,192
UK corporation tax – prior year	(5,294)	14,000
Overseas taxation	22,684	35,674
Total Current tax (see note 10(b))	511,193	144,866
Deferred Tax		
Provisions and other timing differences (see note 21)	(276,662)	30,760
	(276,662)	30,760
Tax charge on profit on ordinary activities	234,531	175,626

(b) Factors affecting tax charge for the period

The current tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

	52 week period ended 25 November 2005 US\$'000	52 week period ended 26 November 2004 US\$'000
Profit on ordinary activities before tax	1,074,526	567,350
Profit on ordinary activities multiplied by standard rate in the UK 30%	322,357	170,205
UK dividend income not taxable	(77,100)	-
Expenses disallowed for the purposes of tax provision	4,676	4,949
Accelerated capital allowances and other timing differences	50,956	16,941
Timing differences in respect of restricted stock units	233,767	(72,737)
Pension contribution relief in excess of net pension cost charge	1,246	7,632
Exchange differences and other	(19,415)	3,876
Adjustment to tax in respect of prior years	(5,294)	14,000
Current tax charge for the period	511,193	144,866

The timing differences in respect of restricted stock units (see note 5) comprises the net tax effect of the amounts charged to the profit and loss account during the period and those amounts paid to the employees during the period.

11. TANGIBLE FIXED ASSETS

The movements in tangible fixed assets during the period were as follows:

	Leasehold improvements US\$'000	Fixtures fittings & equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
COST				
At 26 November 2004	8,592	2,183	65	10,840
Additions	34	185	-	219
Disposals	-	(281)	(49)	(330)
At 25 November 2005	8,626	2,087	16	10,729
DEPRECIATION				
At 26 November 2004	3,886	1,228	65	5,179
Charge for period	1,695	347	-	2,042
Disposals	-	(279)	(49)	(328)
At 25 November 2005	5,581	1,296	16	6,893
NET BOOK VALUE				
At 25 November 2005	3,045	791	-	3,836
At 26 November 2004	4,706	955	-	5,661

12. FIXED ASSET INVESTMENTS

(a) Shares in subsidiary undertakings (at cost)

	US\$'000
At 26 November 2004	887,354
Redemption of shares in subsidiary undertaking (see note [iii])	(887,304)

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

50

- (i) The subsidiaries over which the company exercises control at the period end are listed below.

Name of company	%	Number in issue	Class	Nominal
Goldman Sachs Europe Limited	100	100	Ordinary shares	US\$ 1
GS Global Funding (UK) (formerly GS Global Funding (UK) Ltd)	100	2	Ordinary shares	£ 1
Goldman Sachs Securities (Nominees) Limited	100	2	Ordinary shares	£ 1
Goldman Sachs (Jersey) Limited	100	50,000	Ordinary shares	-

Goldman Sachs Europe Limited and Goldman Sachs (Jersey) Limited are incorporated in Jersey. GS Global Funding (UK) and Goldman Sachs Securities (Nominees) Limited are incorporated in the United Kingdom.

- (ii) The redemption of shares in subsidiary undertakings represents:

Name of Undertaking	Principal Place of Business	%	Interest	Holding Company
GS Global Funding	68 th Floor, Cheung Kong	98.999	Capital	GS Global Funding
Hong Kong Partnership	Centre, 2 Queens Road Central, Hong Kong	0.999	Income	(UK) Limited

GS Global Funding (UK) was one of three partners in the GS Global Funding Hong Kong Partnership. Capital interests carry the right to all profits or losses of a capital nature such as the principal return on investments. Income interests carry the right to all profits and losses of an income nature such as coupons or dividends on investments. The partnership identified and invested in suitable investment opportunities, primarily in the Hong Kong market.

During the period, the Partnership was dissolved and its net assets distributed.

(b) **Other investments other than loans**

	25 November 2005 US\$'000	26 November 2004 US\$'000
Investment in equipment leasing partnership (see note (i))	67	67
Investment in exchange memberships (see note (ii))	2,570	2,714
Debentures (see note (iii))	37	44
Other investments (see note (iv))	-	4,851
	2,674	7,676

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

- (i) The company has a US\$67,000 investment in an equipment leasing partnership operating in the United Kingdom stated at cost.
- (ii) The company also has investments in exchange memberships, which are unlisted and stated at cost.

	25 November 2005 US\$'000	26 November 2004 US\$'000
Exchange memberships:		
Beginning of period	2,714	2,269
Additions	-	445
Reclassification	(144)	-
	2,570	2,714

Reclassification includes an investment in an exchange now reported within trading inventory. It is in the opinion of the directors that this is held with a view to resale and forms part of trading activities.

- (iii) The company holds debentures that are stated at cost and amortised over their useful economic life.

	US\$'000
COST	
At 26 November 2004 and 25 November 2005	70
AMORTISATION	
At 26 November 2004	26
Charge for period	7
At 25 November 2005	33
NET BOOK VALUE	
At 25 November 2005	37
At 26 November 2004	44

- (iv) Other investments are now classified within trading inventory. It is in the opinion of the directors that these were created with a view to resale and form part of the trading activities.
- (v) The company has interests in a number of special purpose vehicles considered by the directors to be quasi subsidiaries which do not meet the definition of a legal subsidiary but give rise to the risks and rewards that are in substance no different than if they were legal subsidiaries.

The activities of these special purpose vehicles consist of the issuance of loan notes under the terms of a repackaging programme.

These vehicles are consolidated in the financial statements of Goldman Sachs Group Holdings (U.K.).

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

- (c) The directors consider that the value of investments in subsidiary undertakings and other investments other than loans is not less than their book value.

13. *TRADING INVENTORY*

Trading inventory comprises financial instruments and investments within the trading activities of the company. Included within trading inventory are amounts in respect of shares in group undertakings that were created solely with a view to resale and form part of the trading activities.

The details of these group undertakings are as follows:

Name of company	%	Number in issue	Class	Nominal
Dunvegan Investments Ltd	100	2,000,000	Preference shares	£20
Amagansett Financing	100	706,343	Preference shares	\$1,000

Dunvegan Investments Ltd is incorporated in the Cayman Islands. Amagansett Financing is incorporated in the United Kingdom. This investment was acquired during the period.

Following the period, the investment in Dunvegan Investments Ltd was redeemed.

14. *SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL*

Included within the resale agreements are amounts of US\$15,794,866,000 (26 November 2004: US\$10,616,940,000) which relate to group undertakings.

15. *DEBTORS*

	25 November 2005 US\$'000	26 November 2004 US\$'000
Deposits as collateral for stock borrowed	4,597,535	3,795,152
Amounts due from broker/dealers and customers	132,501,513	98,404,452
Amounts due from parent and group undertakings	134,811,953	101,743,194
Amounts due from subsidiary undertakings	-	402
Corporation tax recoverable	-	17,040
Deferred tax (note 21)	565,661	288,999
Other debtors	87,234	246,283
Prepayments and accrued income	144,860	134,821
	272,708,756	204,630,343

Of the amount due from parent and group undertakings, US\$18,869,000 (26 November 2004: US\$10,169,000) is due in more than one year. This relates to IPO awards and equity based employee compensation. The remaining debtors are all due within one year of the balance sheet date.

16. *CASH AT BANK AND IN HAND*

Included within cash at bank and in hand is US\$7,782,089,000 (26 November 2004: US\$9,648,932,000) that is held on behalf of clients in segregated accounts.

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

17. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Included within the repurchase agreements are amounts of US\$11,925,027,000 (26 November 2004: US\$11,274,847,000) which relate to group undertakings.

18. OTHER CREDITORS

Other creditors, all of which are payable within one year of the balance sheet date, comprise:

	25 November 2005 US\$'000	26 November 2004 US\$'000
Bank loans and overdrafts	233,387	95,849
Debt securities issued	6,244,795	2,426,172
Loan notes (see note (b))	-	1,708,442
Deposits received as collateral for stock loans	113,464,770	85,197,835
Amounts due to broker / dealers and customers	72,408,519	60,774,618
Amounts due to parent and group undertakings	85,729,571	67,982,479
Amounts due to subsidiary undertakings	6,304	5,054
Accrual for management charges payable to parent and group undertakings (see note 19(c))	1,056,614	534,045
Corporation tax payable	56,116	-
Other taxes and social security costs	121,010	112,930
Other creditors and accruals	816,580	816,041
	280,137,666	219,653,465

(a) Of the other creditors falling due within one year US\$113,464,770,000 (26 November 2004: US\$85,197,835,000) is secured by marketable securities.

(b) The loan notes outstanding at 26 November 2004 were held by a subsidiary undertaking of the ultimate parent company and were due to mature on 27 July 2005. The loan notes were redeemed with a value of US\$1,661 million plus interest accrued to date on 25 August 2005, following an extension in maturity.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	25 November 2005 US\$'000	26 November 2004 US\$'000
Long-term subordinated loans (note (a))	11,105,000	7,855,000
Debt securities issued (note (b))	2,674,562	1,714,964
Accrual for management charges payable to parent and group undertakings (note (c))	797,048	467,337
Other creditors and accruals	-	3,441
	14,576,610	10,040,742

(a) The amounts outstanding at 25 November 2005 and 26 November 2004 include long-term subordinated loans from parent undertakings. The loans are unsecured and carry interest at a margin over LIBOR. The long-term subordinated loans of US\$11,105 million (26 November 2004: US\$7,855 million) constitute regulatory capital as approved by The Financial Services Authority. US\$8,905 million is repayable upon giving or receiving at least 2 years notice to or from the parent undertaking. US\$2,200 million is repayable

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

upon giving or receiving at least 5 years notice to or from the parent undertaking.

- (b) The maturity of debt securities issued due after more than one year is as follows:

	25 November 2005 US\$'000	26 November 2004 US\$'000
In more than one year but not more than two years	406,471	193,488
In more than two years but not more than five years	2,121,378	1,460,135
In more than five years	146,713	61,341
	2,674,562	1,714,964

- (c) The accrual for management charges in notes 18 and 19 is in respect of restricted stock awards and long-term incentive schemes.

20. PROVISIONS FOR LIABILITIES AND CHARGES

	US\$'000
At 25 November 2005 and 26 November 2004	25,000

The provision of US\$25,000,000 was made in respect of legal claims made against the company. Further details relating to these claims have not been disclosed as permitted by accounting standard FRS12, "Provisions and Contingent Liabilities" on the grounds that it would be seriously prejudicial to do so.

21. DEFERRED TAX

	25 November 2005 US\$'000	26 November 2004 US\$'000
Deferred tax balance comprises:		
Depreciation in excess of capital allowances	3,643	2,043
Post-retirement benefits	(27,598)	(28,843)
Other timing differences	589,616	315,799
	565,661	288,999
The movements in the deferred tax balance were as follows:		
At 26 November 2004	288,999	
Transfer to the profit and loss account for the period	276,662	
At 25 November 2005	565,661	

Other timing differences includes deferred tax in respect of exceptional administrative expenses (see note 5).

The directors consider that future profits will be available against which the deferred tax asset can be recovered.

22. SHARE CAPITAL

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

At 25 November 2005 and 26 November 2004 share capital comprised:

	25 November 2005		26 November 2004	
	No.	US\$'000	No.	US\$'000
<u>Authorised</u>				
Ordinary shares of US\$ 1 each	250,000,000	250,000	250,000,000	250,000
Class A Preference shares of US\$ 0.01 each	1,500,000,000	15,000	1,500,000,000	15,000
Class B Preference shares of US\$ 0.01 each	500,000,000	5,000	500,000,000	5,000
	270,000		270,000	
<u>Allotted, called up and fully paid</u>				
Ordinary shares of US\$ 1 each	163,407,724	163,408	153,734,155	153,734
Class A Preference shares of US\$ 0.01 each	958,659,363	9,586	958,659,363	9,586
Class B Preference shares of US\$ 0.01 each	227,906,977	2,279	227,906,977	2,279
	175,273		165,599	

The class A and class B preference shares carry limited voting rights and on a winding up the holders have a preferential right to return of capital together with any premium. Class A preference shares have a fixed non-cumulative dividend payable at a rate of 8 cents per share per annum. Class B preference shares have a fixed non-cumulative dividend at a rate of 10 cents per share per annum.

On 29 July, 4,111,675 ordinary shares of US\$1 each were allotted at US\$21.67 to Goldman Sachs Holdings (U.K.) and 41,532 ordinary shares of US\$1 each were allotted at US\$21.67 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$90,000,000 incorporating a share premium of US\$85,846,000.

On 25 November, 5,465,158 ordinary shares of US\$1 each were allotted at US\$22.10 to Goldman Sachs Holdings (U.K.) and 55,204 ordinary shares of US\$1 each were allotted at US\$22.10 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$122,000,000 incorporating a share premium of US\$116,480,000.

These share issues were in order to increase the company's regulatory capital to support ongoing business activities.

23. **SHARE PREMIUM ACCOUNT AND RESERVES**

	Share premium account US\$'000	Profit and loss account US\$'000
At 26 November 2004	2,008,603	1,894,748
Profit for the period		740,512
Shares issued (see note 22)	202,326	
At 25 November 2005	2,210,929	2,635,260

24. **DIVIDENDS**

	25 November 2005 US\$'000	26 November 2004 US\$'000
Dividends on non-equity shares:		
US\$0.01 Class A fixed rate preference shares	76,693	76,693
US\$0.01 Class B fixed rate preference shares	22,790	22,790
	99,483	99,483

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

25. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	25 November 2005 US\$'000	26 November 2004 US\$'000
Profit on ordinary activities after taxation	839,995	391,724
Issue of ordinary shares (see note 22)	212,000	414,550
Issue of preference shares		
Payment of non-cumulative preference dividend	(99,483)	(99,483)
Net increase in shareholders' funds	952,512	706,791
Opening shareholders' funds	4,086,236	3,379,445
Closing shareholders' funds	5,038,748	4,086,236

26. FINANCIAL COMMITMENTS AND CONTINGENCIES

- (a) The company's only financial commitments and contingencies outstanding at the period end arise from letters of credit and forward foreign exchange, swaps, options, financial futures contracts, debt and equity forwards and underwriting commitments entered into in the ordinary course of business. The company is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of a bank or similar institution nor does it have capital instruments that are publicly listed or traded.

In addition, there are registered charges on the company's assets which have arisen in the ordinary course of business.

- (b) The company leases certain buildings on long term leases. Under these leases, which are subject to renegotiation at various intervals specified in the leases, the company pays all insurance, maintenance and repairs of these properties. The rentals that the company is committed to pay in the next year are as follows:

	25 November 2005 US\$'000	26 November 2004 US\$'000
Maturity of lease		
Less than one year	857	2,907
Between 1 and 2 years	1,147	-
Between 2 and 5 years	1,703	3,087
Over 5 years	111,387	125,336
	115,094	131,330

27. RELATED PARTY DISCLOSURES

Under the terms of FRS8, "Related Party Disclosures", the company is exempt from disclosing transactions with companies 90% or more controlled within the same group,

GOLDMAN SACHS INTERNATIONAL
(unlimited company)

NOTES TO THE FINANCIAL STATEMENTS - 25 NOVEMBER 2005

as the consolidated financial statements in which the company is included are publicly available.

28. *ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS*

The immediate parent undertaking is Goldman Sachs Holdings (U.K.), and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U.K.), a company registered in England and Wales.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., with its principal place of business at 85 Broad Street, New York, NY 10004, United States of America. This company is incorporated in the United States of America.

29. *POST BALANCE SHEET EVENTS*

Effective 15 December 2005, 3,464,431 ordinary shares of US\$1 each were allotted at US\$22.86 to Goldman Sachs Holdings (U.K.) and 34,994 ordinary shares of US\$1 each were allotted at US\$22.86 to Goldman Sachs Group Holdings (U.K.). The total consideration received was US\$80,000,000 incorporating a share premium of US\$76,500,575.

This share issue was in order to increase the company's regulatory capital to support ongoing business activities.

ANNEX 3

Final Terms for an issue of Securities to wholesale investors by Goldman Sachs International under the Programme for the Issuance of Warrants and Certificates.

[FINAL TERMS]

Dated [•] 2007

Series No. [].

[Common Code: []]

ISIN: []

[Tranche No. []]

GOLDMAN SACHS INTERNATIONAL Programme for the Issuance of Warrants and Certificates

Issue of

[Title of Warrants/Certificates]

(the "[Warrants/Certificates]")

Guaranteed by The Goldman Sachs Group, Inc.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities set forth in the Base Prospectus dated 12 March 2007 [as supplemented by the Base Prospectus Supplements dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the [Warrants/Certificates] described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the Guarantor and the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [(including the Base Prospectus Supplements referred to above)] is available for viewing at the registered office of the Issuer. Copies may be obtained from the specified office of the Programme Agent in Luxembourg as well as on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the "**Conditions**") set forth in the [Base Prospectus] dated [original date] [as supplemented by the Base Prospectus Supplements dated [•]]. This document constitutes the Final Terms of the [Warrants/Certificates] described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the [Base Prospectus] dated [current date] [and the Base Prospectus Supplements dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Base Prospectus] dated [original date] [as supplemented by the Base Prospectus

Supplements dated [•] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the [Base Prospectuses] dated [original date] and [current date]. [The Base Prospectuses as supplemented by the Base Prospectus Supplements] are available for viewing at the registered office of the Issuer and copies may be obtained from the specified office of the Programme Agent in Luxembourg.]

[When completing these Final Terms, consideration should be given as to whether any of the terms or information included constitute "significant new factors" and consequently trigger the need for a Base Prospectus Supplement under Article 16 of the Prospectus Directive, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a 48 hour time period. If a Base Prospectus Supplement is necessary, the following additional language should be included.]

[This document comprises a supplement to the Base Prospectus for the purposes of Article 16 of the Prospectus Directive and has been approved as such by the Luxembourg Commission de Surveillance du Secteur Financier (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of the Prospectus Directive and relevant implementing measures in Luxembourg in relation to the [Warrants/Certificates]. [Application has been made to admit the [Warrants/Certificates] to listing on the Official List and to trading on the regulated market of the Luxembourg Stock Exchange which is governed by the Prospectus Directive and which is considered and recognised as a EU regulated market / No application has been made to list the [Warrants/Certificates].]

Issuer:	Goldman Sachs International.
Guarantor:	The Goldman Sachs Group, Inc.
Aggregate Number of [Warrants/Certificates] in the Series:	[].
[Aggregate Number of [Warrants/Certificates] in the Tranche:]	[].
Issue Date:	[].
Issue Price:	[] per [Warrant/Certificate].
Exercise Period:	[American Style Warrants/Certificates only] [The period beginning on (and including) [] and ending on (and including) the Expiration Date.] [Bermudan Style Warrants/Certificates only][Each Specified Exercise Date and the Expiration Date.]]
Exercise Date:	As defined in Condition 3.1.
Specified Exercise Dates:	[Bermudan Style Warrants/Certificates only] [[Specify date and fallback if not a Business Day]/[The first Business Day in each month between the Issue Date and the Expiration Date]][Other]].
Expiration Date[s]:	[] [more than one in the case of Multiple

Exercise Warrants/Certificates. [Open Ended and Optional Early Redemption needs to apply.]

Optional Early Redemption: [Yes. Condition [14] is applicable]/[Not applicable].

Settlement Date: The later of (a) [date] and (b) the [] Business Day after the Valuation Date, [], subject to Condition 9 if applicable].

Type: The [Warrants/Certificates] are [Index / Index / Basket / Share / Share Basket / Bond / Currency /Commodity / [Warrants/Certificates]

*For Share and Share Basket
[Warrants/Certificates] only*

- (i) Underlying Security: [•]
- (ii) Issuer: [•]
- (iii) Exchange(s): [•]
- (iv) Related Exchange: [•] [All Exchanges]
- (v) Exchange Business Day: [•]
- (vi) Initial Date: [•]
- (vii) Additional Disruption Events: Change in Law / Hedging Disruption [*specify if any are not applicable, or any further Additional Disruption Events*]

*For Index and Index Basket
[Warrants/Certificates] only*

- (i) Index/Indices: [•]
- (ii) Exchange(s): [•] [*specify whether multi-Exchange Index*]
- (iii) Related Exchange(s): [•] [All Exchanges]
- (iv) Index Calculation Day: [Such day on which (a) the Index is calculated and published by the Index Sponsor, (b) the trading facilities of all Valuation Assets are scheduled to be open for trading and (c) on which none of the following situations is occurring:

- (a) a material limitation, suspension or disruption of trading in one or more of the Valuation Assets which results in a failure by the trading facility to report a settlement price for such Valuation Asset on the day on which such event occurs or any succeeding day on which it continues;
- (b) the settlement price for any Valuation Asset is a "limit price" which means that the closing price for such Valuation Asset for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable trading facility rules; or
- (c) failure by the applicable trading facility to announce or publish the settlement price for any Valuation Asset.]

For Commodity [Warrants/Certificates] only

- | | | |
|-------|--|---|
| (i) | Commodity/Commodity Basket/Commodity Index | [•] <i>[if applicable, specify whether Non Metal, Base Metal or Precious Metal]</i> |
| (ii) | Commodity Reference Price | [•] |
| (iii) | Specified Price | [[high] [low] [average of high and low] [closing price] [opening price] [bid] [asked] [average of high and low prices] [settlement price] [official settlement price] [official price] [morning fixing] [afternoon fixing] [spot price] [Other (specify)]] |
| (iv) | Delivery Date | [•] |
| (v) | Pricing Date | [•] |
| (vi) | Commodity Disruption Events | [Price Source Disruption]
[Trading Disruption]
[Disappearance of Commodity Reference Price]
[Material Change in Formula]
[Material Change in Content]
[Tax Disruption]
[Trading Limitation]
[specify any applicable additional Commodity Disruption Events] [Not Applicable] |
| (vii) | [Common Pricing] | [Applicable/Not Applicable] <i>(where Commodity Basket only)</i> |

For Currency [Warrants/Certificates] only

- | | | |
|--------|------------------------------------|---|
| (i) | Settlement Currency | [•] |
| (ii) | Reference Currency | [•] |
| (iii) | Specified Amount | [•] |
| (iv) | Specified Rate | <i>[select one from definition of Specified Rate in Condition 12]</i> |
| (v) | Settlement Rate Option | [Currency Reference Dealers] |
| (vi) | Valuation Date | [•] |
| (vii) | Averaging Dates | [Applicable/Not Applicable] |
| (viii) | Other special terms and conditions | [•] |

Strike Price: [].

Valuation Date: *[[Specify date and fallback if not a Valuation Business Day]/[The Exercise Date (as defined in Condition 3.1) or, if such day is not a Valuation Business Day, the immediately succeeding Valuation Business Day.]/[The Valuation Business Day following the Exercise Date]/[The last Valuation Business Day in the Valuation Period]]*, subject to Condition 8.]

Valuation Business Day: A day (other than a Saturday or Sunday) on which:

- (a) [the Disruption Market is, according to its rules, practices and arrangements, open for business;] and
- (b) banks are open for general business in London and [].

Valuation Period: *[Only if a date is not specified for the Valuation Date].*

American Style/European Style/Bermudan Style: [The [Warrants/Certificates] are American Style [Warrants/Certificates]. Condition 3.2 is applicable] / [The [Warrants/Certificates] are European Style [Warrants/Certificates]. Condition 3.3 is applicable] / [The [Warrants/Certificates] are Bermudan Style [Warrants/Certificates]. Condition 3.3A is applicable].

Automatic Exercise: [Yes. Condition 3.9 is applicable [, save that for the purposes of the [Warrants/Certificates], the Settlement Date shall be the later of (a) [date] and (b) the [•] Business Day following

	the day on which the Holder delivers an Exercise Notice]].
Multiple Exercise:	[Yes. Condition 3.7 is applicable]/[Not applicable].
Limited Recourse:	[Yes. Condition 18 is applicable]/[Not applicable].
Settlement Currency:	[].
Closing Value:	[], subject to Condition 8.]
Settlement Amount:	[].
Physical Settlement:	<i>[Only if the Issuer will or has the option upon exercise of a Warrant/Certificate to deliver the Deliverable Assets instead of the Settlement Amount]</i> [Yes. Condition 3.5/Condition 3.6, Conditions 4.1/4.3 and 4.4 is/are applicable].
Physical Settlement Date:	<i>[Only in the case of Warrants/Certificates to which Condition 3.5/Condition 3.6 applies].</i>
Deliverable Assets:	<i>[This is what the holder receives on Physical Settlement of a single Warrant/Certificate. It may be one asset (e.g. the Adjustment Assets) or a basket of different assets. Must be specified in the case of Equity-Linked Warrants/ Certificates or other Warrants/Certificates to which Condition 3.5 (Physical Settlement)/Condition 3.5A (Holder's Election of Physical Settlement)/Condition 3.6 (Yield or Share Security) applies].</i>
Physical Settlement Disruption Amount:	[The product of the Closing Value and the number of shares comprising the Deliverable Assets[, subject to Condition 18/[Other]].
Minimum Exercise Number:	[].
Permitted Multiple:	[].
Maximum Exercise Number:	<i>[Only specify if Condition 6.2 is applicable].</i>
Minimum Trading Number:	[].
Permitted Trading Multiple:	[].
Interest Payment Dates:	<i>[[Specify dates if applicable]</i> and the Redemption Date] [Not Applicable]
Notional Amount per Certificate (for the purposes of Condition 7):	[Currency][Amount] [Not Applicable]

Interest Rate (for the purposes of Condition 7):	[Rate] per cent. per annum [Not Applicable]
Interest Rate Day Count Fraction (for the purposes of Condition 7):	[Actual/365 or Actual/Actual (ICMA)] [Actual/365 (Fixed)] [Actual/360] [30/360 (Floating) or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [Not Applicable]
Other terms relating to the method of calculating interest (for the purposes of Condition 7):	[Specify details if applicable] [Not Applicable]
Market Disruption:	Condition 8 [is] [is not] applicable.
Valuation Assets:	<i>[These are used for Market Disruption and denote the assets which need to be valued on the Valuation Date in order to calculate what the Holder is entitled to. See Condition 8][In the case of Warrants/Certificates which relate to a commodity, specify the commodity. In the case of Warrants/Certificates which relate to a basket of commodities, specify each commodity. In the case of Warrants/Certificates which relate to a debt or equity security, specify the security. In the case of Warrants/Certificates which relate to a basket of debt and/or equity securities, specify each security. In the case of Index-Linked Warrants/ Certificates, describe the securities or commodities which constitute the Index].</i>
Disruption Markets:	<i>[See Condition 8. In the case of each Valuation Asset, specify the relevant market on which the Valuation Asset is traded].</i>
FX Disruption Event:	Condition 9 [is/is not] applicable.
Relevant Currency:	<i>[If Condition 9 is applicable, specify the currency which is to be converted into the Settlement Currency].</i>
Relevant Country:	<i>[If Condition 9 is applicable, specify the jurisdiction of the Relevant Currency].</i>
Type:	[The [Warrants/ Certificates] are Equity-Linked [Warrants/ Certificates] [Equity Basket [Warrants/Certificates]]. Condition 10A is applicable/ The [Warrants/Certificates] are Index-Linked [Warrants/Certificates] [Index Basket [Warrants/Certificates]]. Condition 10B is applicable/The [Warrants/ Certificates] are Equity-Linked and Index-Linked

	[Warrants/Certificates], Conditions 10A and 10B are applicable].
	[Neither. Condition 10A and 10B are not applicable].
Applicable Extraordinary Events:	[Merger Event/Tender Offer] [Nationalisation, Insolvency, Delisting, Additional Disruption Events]. [<i>Specify in case of Equity-Linked or Equity-Linked and Index-Linked Warrants</i>]
Yield or Share [Warrants/Certificates]:	[Yes/No]. Condition 3.6 [is/is not] applicable.
Index:	[<i>Specify in the case of Index-Linked Warrants/Certificates only</i>].
Index Sponsor:	[<i>Specify in the case of Index-Linked Warrants/Certificates only</i>].
Index Publisher:	[<i>Specify in the case of Index-Linked Warrants/Certificates only</i>].
Business Days:	[<i>Specify such markets and/or cities as may be relevant. See Condition 3.1</i>].
Business Day Convention:	[Following Business Day Convention] [Modified Following Business Day Convention] [Nearest]]Preceding] [No Adjustment]
Listing:	[Application has been made for the [Warrants/Certificates] to be admitted to listing on the Official List of the Luxembourg Stock Exchange with effect from [date]/Not applicable].
Admission to trading:	[Application has been made for the [Warrants/Certificates] to be admitted to trading on the regulated market of the Luxembourg Stock Exchange]/[Not applicable]. <i>(Where documenting a fungible issue need to indicate that original Warrants/Certificates are already admitted to trading).</i>
Calculation Agent:	[Goldman Sachs International/Other].
Clearing Systems:	[Euroclear and Clearstream, Luxembourg/VPC AB, Sweden (VPC identification number [•])/None/Other].
Common Code:	[].
ISIN:	[].

Currencies:	[In these Final Terms, references to <i>[currency abbreviations other than those in respect of U.S. dollars and euro]</i> are to the lawful currency of <i>[name of country]</i> .]
Additional Conditions:	[Specify any conditions applicable to the Warrants/Certificates which are additional to, or in substitution for, those contained in the Base Prospectus].
Additional Selling Restrictions:	[Specify any selling restrictions applicable to the Warrants/Certificates which are additional to, or in substitution for, those contained in the Base Prospectus].
Additional Risk Factors:	[Not applicable/Applicable - see Annex [•] "Additional Risk Factors"]
Interests of Natural and Legal Persons Involved in the Issue:	[Not applicable/Applicable - see Annex [•] "Interests of Natural and Legal Persons Involved in the Issue"]

[The following items are only applicable if reasons for the offer are different from making profit and/or hedging certain risks, in which case the following additional information needs to be included:

Reasons for the offer:	[•].
Estimated net proceeds:	[•].
	(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
Estimated total expenses:	[•].
	[(Include breakdown of expenses.)]

[Where indices, interest rates, other assets or baskets thereof comprise the underlying reference for the Warrants/Certificates, the prospectus rule contained in Annex XII, paragraph 4.2.2 should be followed.]

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in the Base Prospectus, as amended and/or supplemented by these Final Terms in relation to the [Tranche/Series] of [Warrants/Certificates] referred to above, is [(except as mentioned below)] true and accurate in all material respects and, in the context of the issue of [such Tranche/this Series], there are no other material facts the omission of which would make any statement in such information misleading.

Information about the past and further performance of [name of Valuation Asset] and [its]/[their] volatility can be obtained from Bloomberg page [·]. Neither the Issuer nor the Guarantor has independently verified any such information, and neither accepts any responsibility for errors or omissions contained in such information. For the avoidance of doubt, such information is not incorporated by reference in, and does not form part of, the Base Prospectus or these Final Terms. Prospective purchasers of the Securities may acquire such further information as they deem necessary in relation to the [Name of Valuation Asset] from such publicly available information as they deem appropriate. Investors should make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment), based upon their own judgement and upon advice from such advisers as such investors deem necessary and not upon any view expressed by the Issuer or the Guarantor.

Neither the Issuer nor the Guarantor intends to provide any post-issuance information on the [Warrants/Certificates].

In deciding whether or not to purchase [Warrants/Certificates], investors should form their own view of the merits of the [Warrants/Certificates] based upon their own investigations and not in reliance upon the above information.

[An underwriters fee will be paid to the syndicate managers and co-syndicate managers (the "Managers"). The Managers will be confirmed on the trade date relating to the Securities. The Managers may also pay a distribution fee for the placement of the Securities; further details are available on request.]

[A fee may be paid in respect of this transaction, details of which are available on request.]

[A hedging fee may be paid in respect of this transaction, details of which are available on request.]

REPRESENTATION

Each Holder will be deemed to have agreed that they will not offer, sell or deliver the Securities in any jurisdiction except under circumstances that will result in compliance with the applicable laws thereof, and that such Holder will take at their own expense whatever action is required to permit their purchase and resale of the Securities. European Economic Area standard selling restrictions apply.

RISK DISCLOSURE

The following risk factors must be read in conjunction with the section entitled "Risk Factors" in the Base Prospectus.

Relevant Information: The Issuer and/or its affiliates, any of their officers or employees (together, "GS") may have access to information relating to the product described within (the "Product"), any Underlyers (as defined below) and any derivative instruments referencing it (together "Relevant Instruments"). GS will not be obliged to disclose any such Relevant Information to you.

GS' Interests: GS may be an active participant on both sides of the market for the Relevant Instruments at any time. GS's hedging and trading activities with respect to the Product may affect the value of other Relevant Instruments and vice versa. GS may be calculation agent or

sponsor of Underlyers (as defined below) and as such may make determinations affecting the value of the Securities.

No correlation with Underlyers: The value of the Securities will not necessarily correlate with the value of any instruments, shares, commodities or indices underlying it ("**Underlyers**").

No liquidity: The Securities may have no liquidity. An investor must be prepared to hold it until maturity. A secondary market is unlikely to develop. GS may, but is not obliged to, make a market. If it does, it may cease at any time without notice.

Confidentiality and disclosure of Information: Any information regarding the Securities that may be relevant to the U.S. federal income tax treatment of the Securities (excluding the identities of the parties) or which is necessary to support any U.S. federal income tax benefits may be disclosed to the relevant authorities without contractual limitation of any kind.

Notional/principal Increase: The executed size of the Securities may be increased at any time.

Valuation: All other things being equal, the value of the Securities on the Settlement Date may be significantly less than the execution price on the trade date for the Securities. If Holders unwind their investment early, Holders may receive less than the stated redemption amount.

Price Discrepancy: Any price quoted for the Securities by GS may differ significantly from (i) the Securities' value determined by reference to GS pricing models and (ii) any price quoted by a third party.

DISCLAIMER

No Offer: No action has been taken by GS to permit a public offering in any jurisdiction.

No Representation: GS makes no representations as to the expected performance of the Securities. Changes in the creditworthiness or performance of the Securities or any Underlyer may affect the value of the Securities and could result in it redeeming or being valued at zero.

No Advice: Holders should consult their own accounting, tax, investment and legal advisors before investing. The Issuer is acting as an arm's-length contractual counterparty and not as an advisor or fiduciary.

European Distribution: In connection with its distribution in the United Kingdom and the European Economic Area, these Final Terms have been issued and approved by Goldman Sachs International which is authorised and regulated by the Financial Services Authority. These Final Terms are not a product of the GS research department.

THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, UNITED STATES PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS MAY NOT BE DISTRIBUTED IN THE UNITED STATES.

[In the case of syndicated issues only]

[The execution of these Final Terms by or on behalf of the Issuer and by or on behalf of the Managers named below will constitute each of such parties' acceptance on the date of these Final Terms of the terms of the Pro Forma Subscription Agreement set out in Schedule 3 to the Programme Agreement, subject to any amendment notified by the Issuer to each of the Managers in writing at any time prior to the date of these Final Terms.]

Relevant Currency: [Specify currency in which Managers are to pay the Issue Price]

LEAD MANAGER

[
(the "**Lead Manager**")

By:

MANAGERS

[
]
(together with the Lead Manager, the "**Managers**")

By:]

THE ISSUER

Goldman Sachs International

By:
Attorney-in-fact

Date: []

ANNEX [•]

Additional Risk Factors

[Include any product specific risk factors which are not covered under "Risk Factors" in the Base Prospectus.]

ANNEX [•]

Interests of Natural and Legal Persons Involved in the Issue

[Include a description of any interest (including conflicting ones) that is material to the issue/offer, detailing the entities/persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Distribution Arrangements" in the Base Prospectus, so far as the Issuer and the Guarantor are aware, no person involved in the issue of the [Warrants/Certificates] has an interest material to such issue."

ANNEX 4

Final Terms for an issue of Securities to retail investors by Goldman Sachs International under the Programme for the Issuance of Warrants and Certificates with settlement scenarios/sample calculations.

[FINAL TERMS]

Dated [•] 2007

[Common Code: []]

ISIN: []

Series No. [].[Tranche No. []]

GOLDMAN SACHS INTERNATIONAL Programme for the Issuance of Warrants and Certificates

Issue of

**[Title of Warrants/Certificates]
(the "[Warrants/Certificates]")
Guaranteed by The Goldman Sachs Group, Inc.**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities set forth in the Base Prospectus dated 12 March 2007 [as supplemented by the Base Prospectus Supplements dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the [Warrants/Certificates] described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer, the Guarantor and the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [(including the Base Prospectus Supplements referred to above)] is available for viewing at the registered office of the Issuer. Copies may be obtained from the specified office of the Programme Agent in Luxembourg as well as on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the "**Conditions**") set forth in the [Base Prospectus] dated [original date] [as supplemented by the Base Prospectus Supplements dated [•]]. This document constitutes the Final Terms of the [Warrants/Certificates] described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the [Base Prospectus] dated [*current date*] [and the Base Prospectus Supplements dated [•]], which [together] constitute[s] a base prospectus for the

purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Base Prospectus] dated [original date] [as supplemented by the Base Prospectus Supplements dated [*]] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the [Base Prospectuses] dated [original date] and [current date]. [The Base Prospectuses as supplemented by the Base Prospectus Supplements] are available for viewing at the registered office of the Issuer and copies may be obtained from the specified office of the Programme Agent in Luxembourg.]

[When completing these Final Terms, consideration should be given as to whether any of the terms or information included constitute "significant new factors" and consequently trigger the need for a Base Prospectus Supplement under Article 16 of the Prospectus Directive, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a 48 hour time period. If a Base Prospectus Supplement is necessary, the following additional language should be included.]

[This document comprises a supplement to the Base Prospectus for the purposes of Article 16 of the Prospectus Directive and has been approved as such by the Luxembourg Commission de Surveillance du Secteur Financier (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of the Prospectus Directive and relevant implementing measures in Luxembourg in relation to the [Warrants/Certificates]. [Application has been made to admit the [Warrants/Certificates] to listing on the Official List and to trading on the regulated market of the Luxembourg Stock Exchange which is governed by the Prospectus Directive and which is considered and recognised as a EU regulated market / No application has been made to list the [Warrants/Certificates].]

Issuer: Goldman Sachs International.

Guarantor: The Goldman Sachs Group, Inc.

Aggregate Number of [Warrants/Certificates] [].
in the Series:

[Aggregate Number of [Warrants/Certificates] [].
in the Tranche:]

Issue Date: [].

Issue Price: [] per [Warrant/Certificate].

Exercise Period: *[American Style Warrants/Certificates only]*
[The period beginning on (and including) []
and ending on (and including) the Expiration
Date.] *[Bermudan Style Warrants/Certificates
only]*[Each Specified Exercise Date and the
Expiration Date.]]

Exercise Date: As defined in Condition 3.1.

Specified Exercise Dates: *[Bermudan Style Warrants/Certificates
only]*[[Specify date and fallback if not a
Business Day]/[The first Business Day in each
month between the Issue Date and the

	Expiration Date][Other]].
Expiration Date[s]:	[] <i>[more than one in the case of Multiple Exercise Warrants/Certificates]</i> . [Open Ended and Optional Early Redemption needs to apply.]
Optional Early Redemption:	[Yes. Condition [14] is applicable]/[Not applicable].
Settlement Date:	The later of (a) [date] and (b) the [] Business Day after the Valuation Date, [][, subject to Condition 9 if applicable].
Type:	The[Warrants/Certificates] are [Index / Index / Basket / Share / Share Basket / Bond / Currency /Commodity / [Warrants/Certificates]
<i>For Share and Share Basket [Warrants/Certificates] only</i>	
(i) Underlying Security:	[•]
(ii) Issuer:	[•]
(iii) Exchange(s):	[•]
(iv) Related Exchange:	[•] [All Exchanges]
(v) Exchange Business Day:	[•]
(vi) Initial Date:	[•]
(vii) Additional Disruption Events:	Change in Law / Hedging Disruption <i>[specify if any are not applicable, or any further Additional Disruption Events]</i>
<i>For Index and Index Basket [Warrants/Certificates] only</i>	
(i) Index/Indices:	[•]
(ii) Exchange(s):	[•] [specify whether multi-Exchange Index]
(iii) Related Exchange(s):	[•] [All Exchanges]
(iv) Index Calculation Day:	[Such day on which (a) the Index is calculated and published by the Index Sponsor, (b) the trading facilities of all Valuation Assets are scheduled to be open for trading and (c) on which none of the following situations is occurring: (a) a material limitation, suspension or disruption of trading in one or more of the Valuation Assets which results in a

failure by the trading facility to report a settlement price for such Valuation Asset on the day on which such event occurs or any succeeding day on which it continues;

- (b) the settlement price for any Valuation Asset is a "limit price" which means that the closing price for such Valuation Asset for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable trading facility rules; or
- (c) failure by the applicable trading facility to announce or publish the settlement price for any Valuation Asset.

For Commodity [Warrants/Certificates] only

- | | | |
|-------|--|---|
| (i) | Commodity/Commodity Basket/Commodity Index | [•] [if applicable, specify whether Non Metal, Base Metal or Precious Metal] |
| (ii) | Commodity Reference Price | [•] |
| (iii) | Specified Price | [[high] [low] [average of high and low] [closing price] [opening price] [bid] [asked] [average of high and low prices] [settlement price] [official settlement price] [official price] [morning fixing] [afternoon fixing] [spot price] [Other (specify)]] |
| (iv) | Delivery Date | [•] |
| (v) | Pricing Date | [•] |
| (vi) | Commodity Disruption Events | [Price Source Disruption][Trading Disruption][Disappearance of Commodity Reference Price][Material Change in Formula][Material Change in Content][Tax Disruption][Trading Limitation][specify any applicable additional Commodity Disruption Events] [Not Applicable] |
| (vii) | [Common Pricing] | [Applicable/Not Applicable] (where Commodity Basket only) |

For Currency [Warrants/Certificates] only

- | | | |
|-------|---------------------|-----|
| (i) | Settlement Currency | [•] |
| (ii) | Reference Currency | [•] |
| (iii) | Specified Amount | [•] |

(iv)	Specified Rate	<i>[select one from definition of Specified Rate in Condition 12]</i>
(v)	Settlement Rate Option	[Currency Reference Dealers]
(vi)	Valuation Date	[•]
(vii)	Averaging Dates	[Applicable/Not Applicable]
(viii)	Other special terms and conditions	[•]
	Strike Price:	[].
	Valuation Date:	<i>[[Specify date and fallback if not a Valuation Business Day]/[The Exercise Date (as defined in Condition 3.1) or, if such day is not a Valuation Business Day, the immediately succeeding Valuation Business Day.]/[The Valuation Business Day following the Exercise Date]/[The last Valuation Business Day in the Valuation Period]]</i> , subject to Condition 8.]
	Valuation Business Day:	A day (other than a Saturday or Sunday) on which: (a) [the Disruption Market is, according to its rules, practices and arrangements, open for business;] and (b) banks are open for general business in London and [].
	Valuation Period:	<i>[Only if a date is not specified for the Valuation Date].</i>
	American Style/European Style/Bermudan Style:	[The [Warrants/Certificates] are American Style [Warrants/Certificates]. Condition 3.2 is applicable] / [The [Warrants/Certificates] are European Style [Warrants/Certificates]. Condition 3.3 is applicable] / [The [Warrants/Certificates] are Bermudan Style [Warrants/Certificates]. Condition 3.3A is applicable].
	Automatic Exercise:	[Yes. Condition 3.9 is applicable [, save that for the purposes of the [Warrants/Certificates], the Settlement Date shall be the later of (a) [date] and (b) the [•] Business Day following the day on which the Holder delivers an Exercise Notice]].
	Multiple Exercise:	[Yes. Condition 3.7 is applicable]/[Not applicable].

Limited Recourse:	[Yes. Condition 18 is applicable]/[Not applicable].
Settlement Currency:	[].
Closing Value:	[][, subject to Condition 8.]
Settlement Amount:	[].
Physical Settlement:	<i>[Only if the Issuer will or has the option upon exercise of a Warrant/Certificate to deliver the Deliverable Assets instead of the Settlement Amount] [Yes. Condition 3.5/Condition 3.6, Conditions 4.1/4.3 and 4.4 is/are applicable].</i>
Physical Settlement Date:	<i>[Only in the case of Warrants/Certificates to which Condition 3.5/Condition 3.6 applies].</i>
Deliverable Assets:	<i>[This is what the holder receives on Physical Settlement of a single Warrant/Certificate. It may be one asset (e.g. the Adjustment Assets) or a basket of different assets. Must be specified in the case of Equity-Linked Warrants/ Certificates or other Warrants/Certificates to which Condition 3.5 (Physical Settlement)/Condition 3.5A (Holder's Election of Physical Settlement)/Condition 3.6 (Yield or Share Security) applies].</i>
Physical Settlement Disruption Amount:	[The product of the Closing Value and the number of shares comprising the Deliverable Assets[, subject to Condition 18/[Other]].
Minimum Exercise Number:	[].
Permitted Multiple:	[].
Maximum Exercise Number:	<i>[Only specify if Condition 6.2 is applicable].</i>
Minimum Trading Number:	[].
Permitted Trading Multiple:	[].
Interest Payment Dates:	<i>[[Specify dates if applicable] and the Redemption Date]</i> [Not Applicable]
Notional Amount per Certificate (for the purposes of Condition 7):	[Currency][Amount] [Not Applicable]
Interest Rate (for the purposes of Condition 7):	[Rate] per cent. per annum [Not Applicable]
Interest Rate Day Count Fraction (for the purposes of Condition 7):	[Actual/365 or Actual/Actual (ICMA)] [Actual/365 (Fixed)] [Actual/360] [30/360 (Floating) or 360/360 or Bond Basis]

	[30E/360 or Eurobond Basis] [Not Applicable]
Other terms relating to the method of calculating interest (for the purposes of Condition 7):	[Specify details if applicable][Not Applicable]
Market Disruption:	Condition 8 [is] [is not] applicable.
Valuation Assets:	<i>[These are used for Market Disruption and denote the assets which need to be valued on the Valuation Date in order to calculate what the Holder is entitled to. See Condition 8][In the case of Warrants/Certificates which relate to a commodity, specify the commodity. In the case of Warrants/Certificates which relate to a basket of commodities, specify each commodity. In the case of Warrants/Certificates which relate to a debt or equity security, specify the security. In the case of Warrants/Certificates which relate to a basket of debt and/or equity securities, specify each security. In the case of Index-Linked Warrants/ Certificates, describe the securities or commodities which constitute the Index].</i>
Disruption Markets:	<i>[See Condition 8. In the case of each Valuation Asset, specify the relevant market on which the Valuation Asset is traded].</i>
FX Disruption Event:	Condition 9 [is/is not] applicable.
Relevant Currency:	[If Condition 9 is applicable, specify the currency which is to be converted into the Settlement Currency].
Relevant Country:	[If Condition 9 is applicable, specify the jurisdiction of the Relevant Currency].
Type:	[The [Warrants/ Certificates] are Equity-Linked [Warrants/ Certificates] [Equity Basket [Warrants/Certificates]]. Condition 10A is applicable/ The [Warrants/Certificates] are Index-Linked [Warrants/Certificates] [Index Basket [Warrants/Certificates]]. Condition 10B is applicable/The [Warrants/ Certificates] are Equity-Linked and Index-Linked [Warrants/Certificates], Conditions 10A and 10B are applicable]. [Neither. Condition 10A and 10B are not applicable].
Applicable Extraordinary Events:	[Merger Event/Tender Offer] [Nationalisation, Insolvency, Delisting, Additional Disruption

	Events]. <i>[Specify in case of Equity-Linked or Equity-Linked and Index-Linked Warrants]</i>
Yield or Share [Warrants/Certificates]:	[Yes/No]. Condition 3.6 [is/is not] applicable.
Index:	<i>[Specify in the case of Index-Linked Warrants/Certificates only].</i>
Index Sponsor:	<i>[Specify in the case of Index-Linked Warrants/Certificates only].</i>
Index Publisher:	<i>[Specify in the case of Index-Linked Warrants/Certificates only].</i>
Business Days:	<i>[Specify such markets and/or cities as may be relevant. See Condition 3.1].</i>
Business Day Convention:	[Following Business Day Convention] [Modified Following Business Day Convention] [Nearest]]Preceding] [No Adjustment]
Listing:	[Application has been made for the [Warrants/Certificates] to be admitted to listing on the Official List of the Luxembourg Stock Exchange with effect from [date]/Not applicable].
Admission to trading:	[Application has been made for the [Warrants/Certificates] to be admitted to trading on the regulated market of the Luxembourg Stock Exchange]/[Not applicable]. <i>(Where documenting a fungible issue need to indicate that original Warrants/Certificates are already admitted to trading).</i>
Calculation Agent:	[Goldman Sachs International/Other].
Clearing Systems:	[Euroclear and Clearstream, Luxembourg/VPC AB, Sweden (VPC identification number [•])/None/Other].
Common Code:	[].
ISIN:	[].
Currencies:	[In these Final Terms, references to [currency abbreviations other than those in respect of U.S. dollars and euro] are to the lawful currency of [name of country].]
Additional Conditions:	<i>[Specify any conditions applicable to the Warrants/Certificates which are additional to, or in substitution for, those contained in the</i>

Base Prospectus].

Additional Selling Restrictions: *[Specify any selling restrictions applicable to the Warrants/Certificates which are additional to, or in substitution for, those contained in the Base Prospectus].*

Additional Risk Factors: [Not applicable/Applicable - see Annex [•]
"Additional Risk Factors"]

Interests of Natural and Legal Persons Involved in the Issue: [Not applicable/Applicable - see Annex [•]
"Interests of Natural and Legal Persons Involved in the Issue"]

[The following items are only applicable if reasons for the offer are different from making profit and/or hedging certain risks, in which case the following additional information needs to be included:

Reasons for the offer: [•]

Estimated net proceeds: [•].

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

Estimated total expenses: [•].

[(Include breakdown of expenses.)]

[Where indices, interest rates, other assets or baskets thereof comprise the underlying reference for the Warrants/Certificates, the prospectus rule contained in Annex XII, paragraph 4.2.2 should be followed.]

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in the Base Prospectus, as amended and/or supplemented by these Final Terms in relation to the [Tranche/Series] of [Warrants/Certificates] referred to above, is [(except as mentioned below)] true and accurate in all material respects and, in the context of the issue of [such Tranche/this Series], there are no other material facts the omission of which would make any statement in such information misleading.

Information about the past and further performance of [settlement scenarios/sample calculations] and [its]/[their] volatility can be obtained from Bloomberg page [•]. Neither the Issuer nor the Guarantor has independently verified any such information, and neither accepts any responsibility for errors or omissions contained in such information. For the avoidance of doubt, such information is not incorporated by reference in, and does not form part of, the Base Prospectus or these Final Terms. Prospective purchasers of the Securities may acquire such further information as they deem necessary in relation to the [settlement scenarios/sample calculations] from such publicly available

information as they deem appropriate. Investors should make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment), based upon their own judgement and upon advice from such advisers as such investors deem necessary and not upon any view expressed by the Issuer or the Guarantor.

Neither the Issuer nor the Guarantor intends to provide any post-issuance information on the [Warrants/Certificates].

In deciding whether or not to purchase [Warrants/Certificates], investors should form their own view of the merits of the [Warrants/Certificates] based upon their own investigations and not in reliance upon the above information.

[An underwriters fee will be paid to the syndicate managers and co-syndicate managers (the "Managers"). The Managers will be confirmed on the trade date relating to the Securities. The Managers may also pay a distribution fee for the placement of the Securities; further details are available on request.]

[A fee may be paid in respect of this transaction, details of which are available on request.]

[A hedging fee may be paid in respect of this transaction, details of which are available on request.]

REPRESENTATION

Each Holder will be deemed to have agreed that they will not offer, sell or deliver the Securities in any jurisdiction except under circumstances that will result in compliance with the applicable laws thereof, and that such Holder will take at their own expense whatever action is required to permit their purchase and resale of the Securities. European Economic Area standard selling restrictions apply.

RISK DISCLOSURE

The following risk factors must be read in conjunction with the section entitled "Risk Factors" in the Base Prospectus.

Relevant Information: The Issuer and/or its affiliates, any of their officers or employees (together, "GS") may have access to information relating to the product described within (the "Product"), any Underlyers (as defined below) and any derivative instruments referencing it (together "Relevant Instruments"). GS will not be obliged to disclose any such Relevant Information to you.

GS' Interests: GS may be an active participant on both sides of the market for the Relevant Instruments at any time. GS's hedging and trading activities with respect to the Product may affect the value of other Relevant Instruments and vice versa. GS may be calculation agent or sponsor of Underlyers (as defined below) and as such may make determinations affecting the value of the Securities.

No correlation with Underlyers: The value of the Securities will not necessarily correlate with the value of any instruments, shares, commodities or indices underlying it ("Underlyers").

No liquidity: The Securities may have no liquidity. An investor must be prepared to hold it until maturity. A secondary market is unlikely to develop. GS may, but is not obliged to, make a market. If it does, it may cease at any time without notice.

Confidentiality and disclosure of Information: Any information regarding the Securities that may be relevant to the U.S. federal income tax treatment of the Securities (excluding the identities of the parties) or which is necessary to support any U.S. federal income tax benefits may be disclosed to the relevant authorities without contractual limitation of any kind.

Notional/principal Increase: The executed size of the Securities may be increased at any time.

Valuation: All other things being equal, the value of the Securities on the Settlement Date may be significantly less than the execution price on the trade date for the Securities. If Holders unwind their investment early, Holders may receive less than the stated redemption amount.

Price Discrepancy: Any price quoted for the Securities by GS may differ significantly from (i) the Securities' value determined by reference to GS pricing models and (ii) any price quoted by a third party.

DISCLAIMER

No Offer: No action has been taken by GS to permit a public offering in any jurisdiction.

No Representation: GS makes no representations as to the expected performance of the Securities. Changes in the creditworthiness or performance of the Securities or any Underlyer may affect the value of the Securities and could result in it redeeming or being valued at zero.

No Advice: Holders should consult their own accounting, tax, investment and legal advisors before investing. The Issuer is acting as an arm's-length contractual counterparty and not as an advisor or fiduciary.

European Distribution: In connection with its distribution in the United Kingdom and the European Economic Area, these Final Terms have been issued and approved by Goldman Sachs International which is authorised and regulated by the Financial Services Authority. These Final Terms are not a product of the GS research department.

THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE BENEFIT OF, UNITED STATES PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THESE FINAL TERMS MAY NOT BE DISTRIBUTED IN THE UNITED STATES.

[In the case of syndicated issues only]

[The execution of these Final Terms by or on behalf of the Issuer and by or on behalf of the Managers named below will constitute each of such parties' acceptance on the date of these Final Terms of the terms of the Pro Forma Subscription Agreement set out in Schedule 3 to the Programme Agreement, subject to any amendment notified by the Issuer to each of the Managers in writing at any time prior to the date of these Final Terms.

Relevant Currency: *[Specify currency in which Managers are to pay the Issue Price]*

LEAD MANAGER

[]

(the "Lead Manager")

By:

MANAGERS

[
]

(together with the Lead Manager, the "**Managers**")

By:]

THE ISSUER

Goldman Sachs International

By:

Attorney-in-fact

Date: []

ANNEX [•]

Settlement Scenarios/Sample Calculations

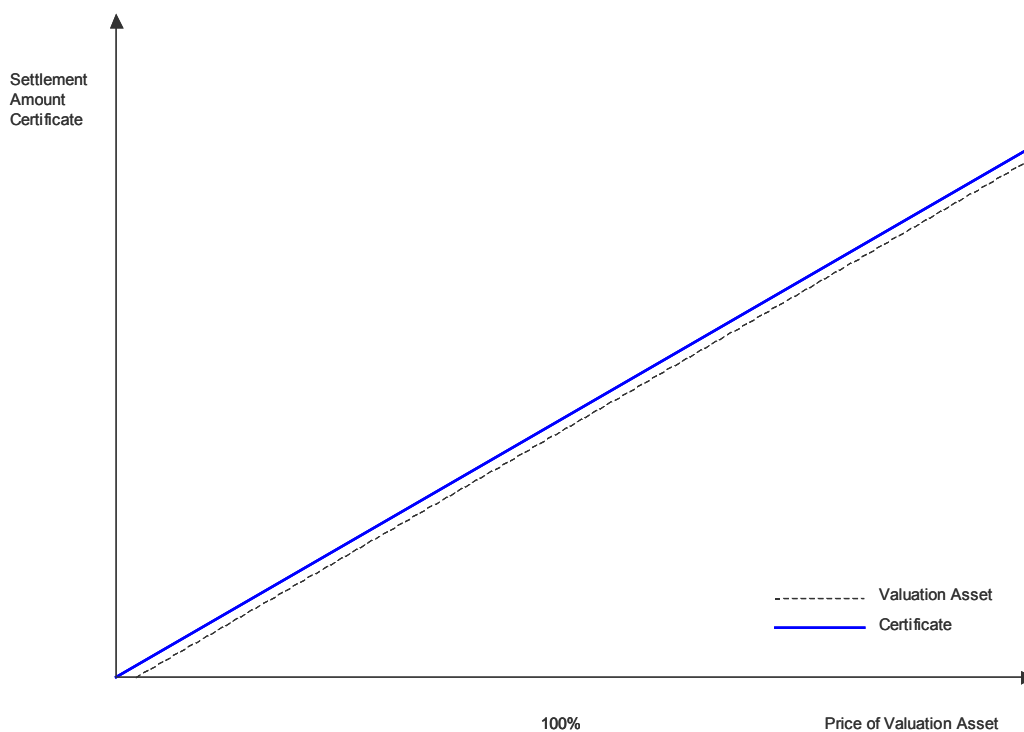
THE FIGURES PRESENTED IN THIS SECTION ARE FOR ILLUSTRATIVE PURPOSES ONLY. THE SETTLEMENT AMOUNT IN RESPECT OF THE CERTIFICATES WILL BE CALCULATED IN ACCORDANCE WITH THE TERMS OF THE CERTIFICATES AS SET OUT IN THESE FINAL TERMS.

[B. Settlement Scenarios/ Sample calculations

[[In the case of Certificates that pay interest insert:]

(without taking into account any interest payments)]

[[In the case of Certificates with no additional features e.g. Participation Certificates insert:]



The issue price of a Certificate is EUR 100.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

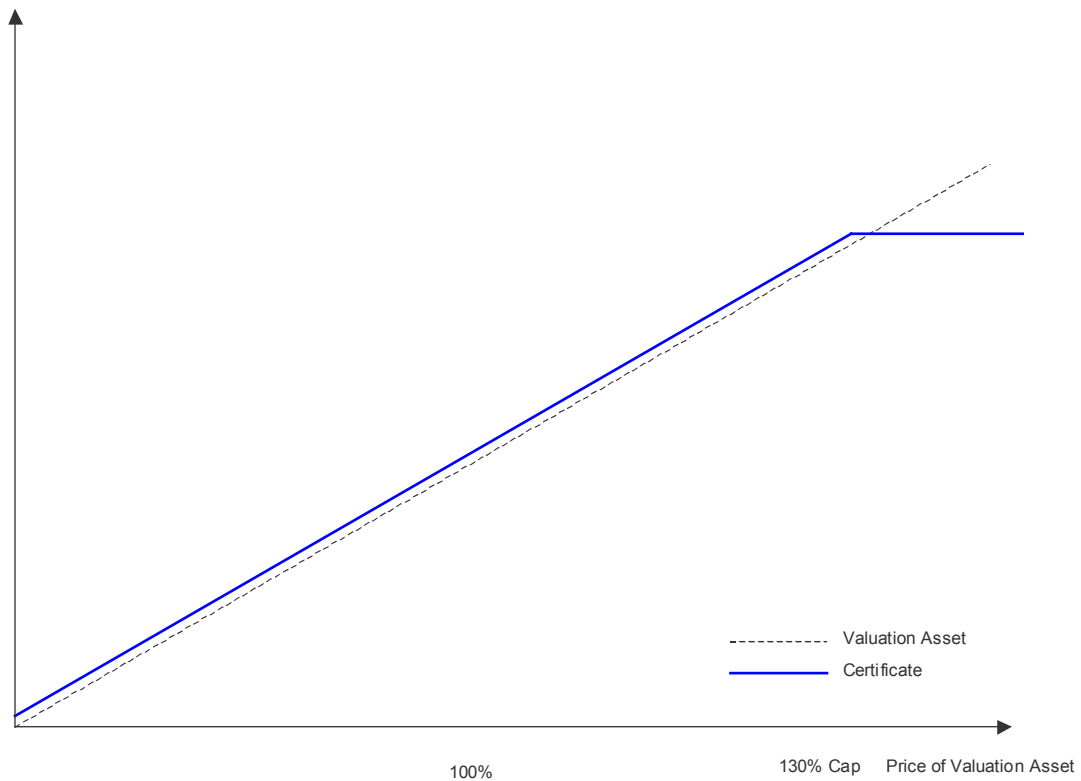
The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.]

[[In the case of [Discount] Certificates [with Cap] insert:]]



The issue price of a [Discount] Certificate [with Cap] is EUR [Discount: EUR 95, which represents a discount of 5% on the Strike Price of the Valuation Asset of EUR 100 [other Certificates with Cap: EUR 100]. The Cap is equivalent to 130% of the Strike Price of the Valuation Asset.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

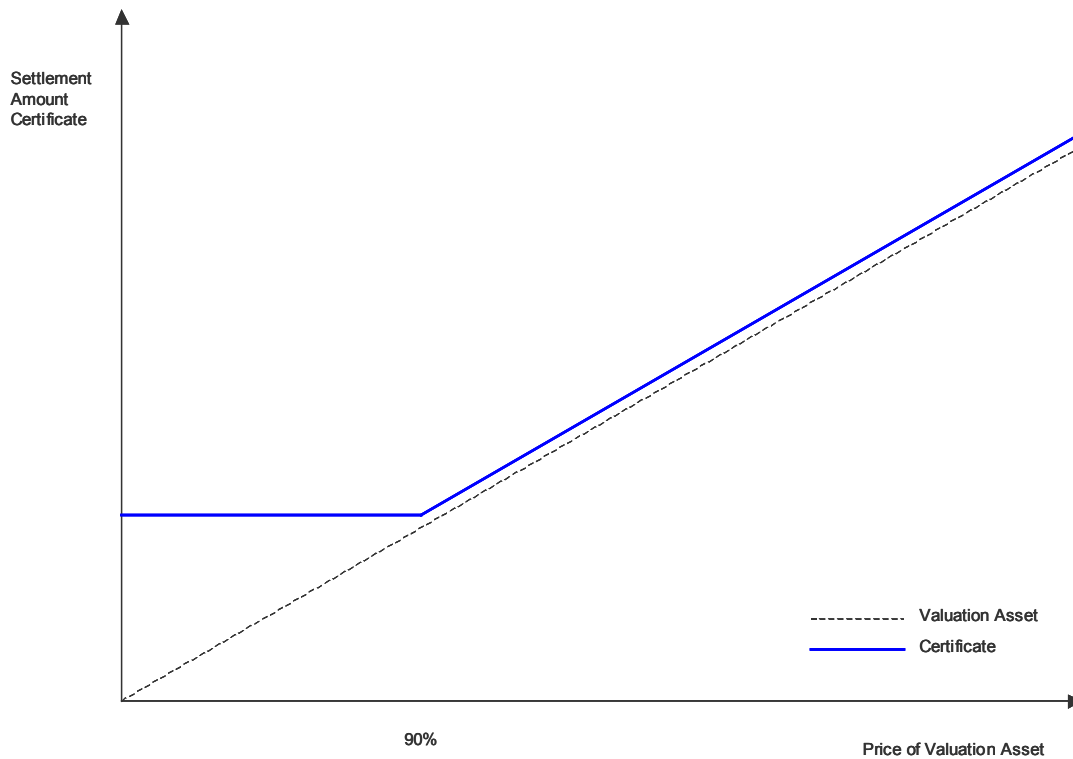
The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 130 (Cap).]

[[In the case of Certificates with Unconditional Minimum Redemption insert:]



The issue price of a Certificate is EUR 100.

The minimum redemption is 90%.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 90 (minimum redemption).

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

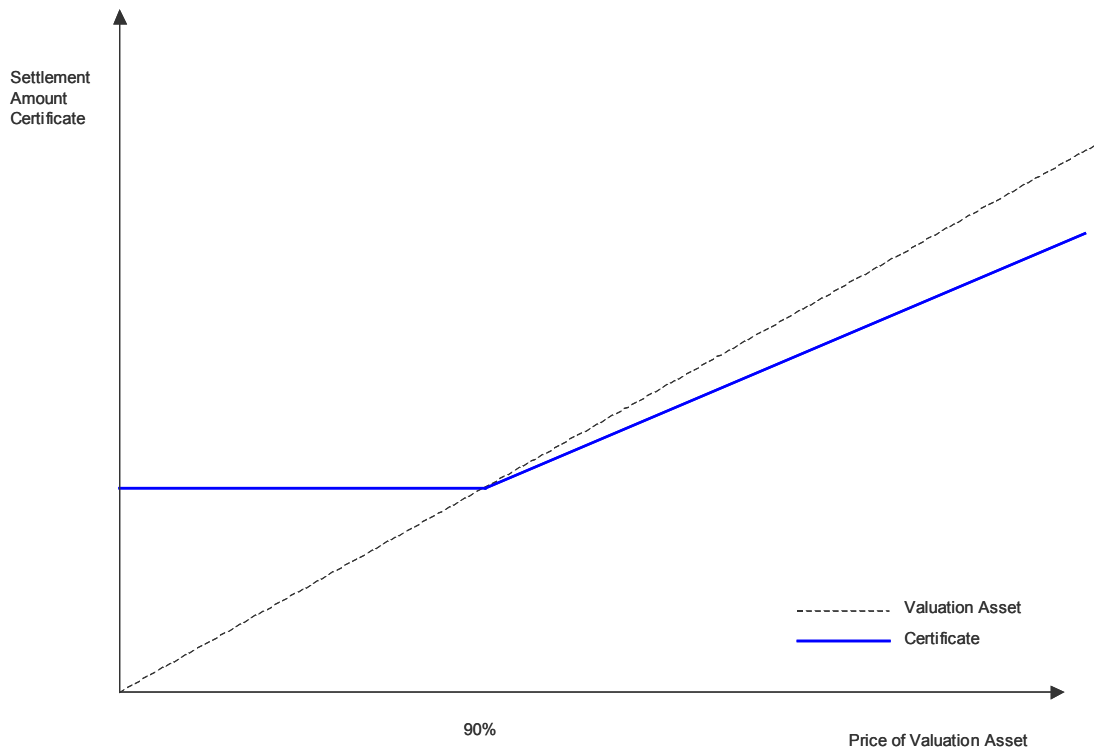
The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.]

[[In the case of Certificates with Unconditional Minimum Redemption and a Participation Rate of under 100% insert:]]



The issue price of a Certificate is EUR 100.

The minimum redemption is 90% and the Participation Rate is 80%.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 90 (minimum redemption).

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 98 (80% participation in the difference between the minimum redemption (90%) and performance of the Valuation Asset (100%).

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 138 (80% participation in the difference between minimum redemption (90%) and performance of the Valuation Asset (150%).]

[[In the case of Certificates with Conditional Minimum Redemption insert:]

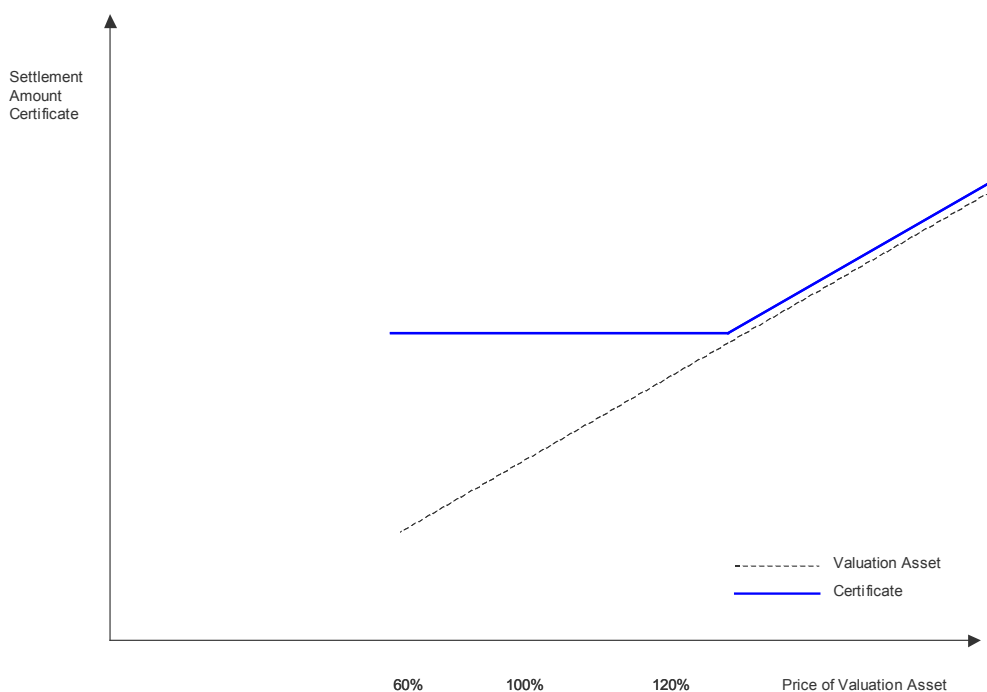
[[In the case of Bonus Certificates insert:]

Bonus Certificates are Certificates with two settlement alternatives. If the condition for the minimum redemption has been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative A**. If the condition for the minimum redemption has not been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative B**.

Condition for Minimum Redemption:

The price of the Valuation Asset does not fall below a particular barrier (e.g. 60% of the Strike Price) at any time during the Observation Period.

Settlement Alternative A:



The issue price of a Bonus Certificate is EUR 100.

The minimum redemption (Bonus) is 120% and the condition for the minimum redemption **has** been fulfilled.

Settlement Scenario 1

The Closing Value is equivalent to 80% of the Strike Price.

The Certificates are redeemed at EUR 120.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

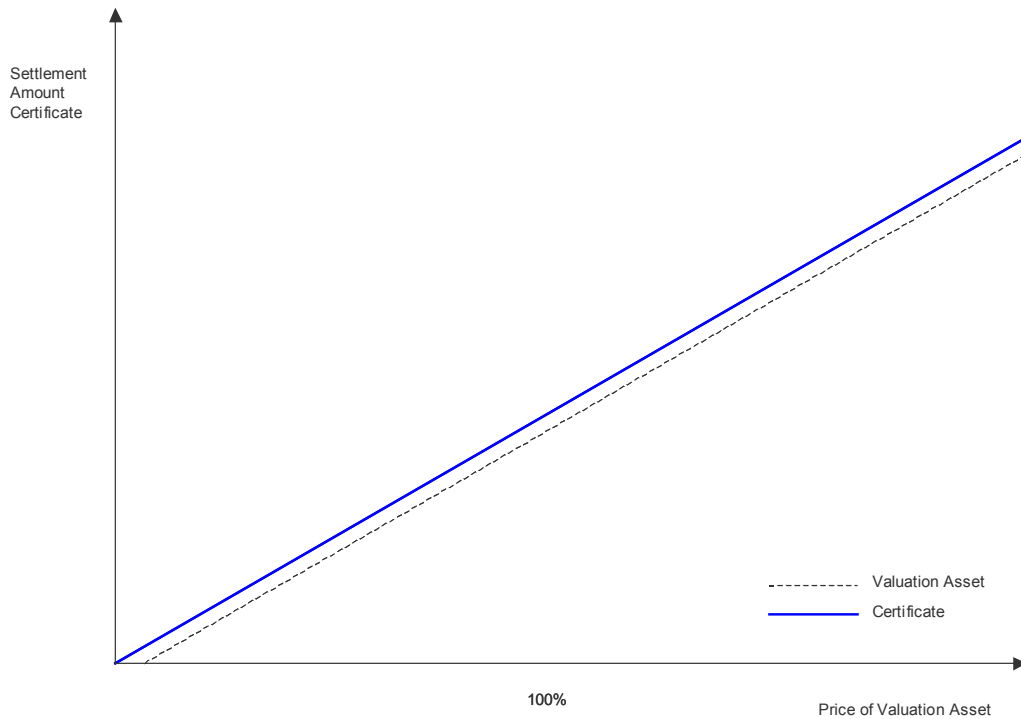
The Certificates are redeemed at EUR 120.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.

Settlement Alternative B:



The issue price of a Bonus Certificate is EUR 100.

The condition for the minimum redemption **has not** been fulfilled.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.]

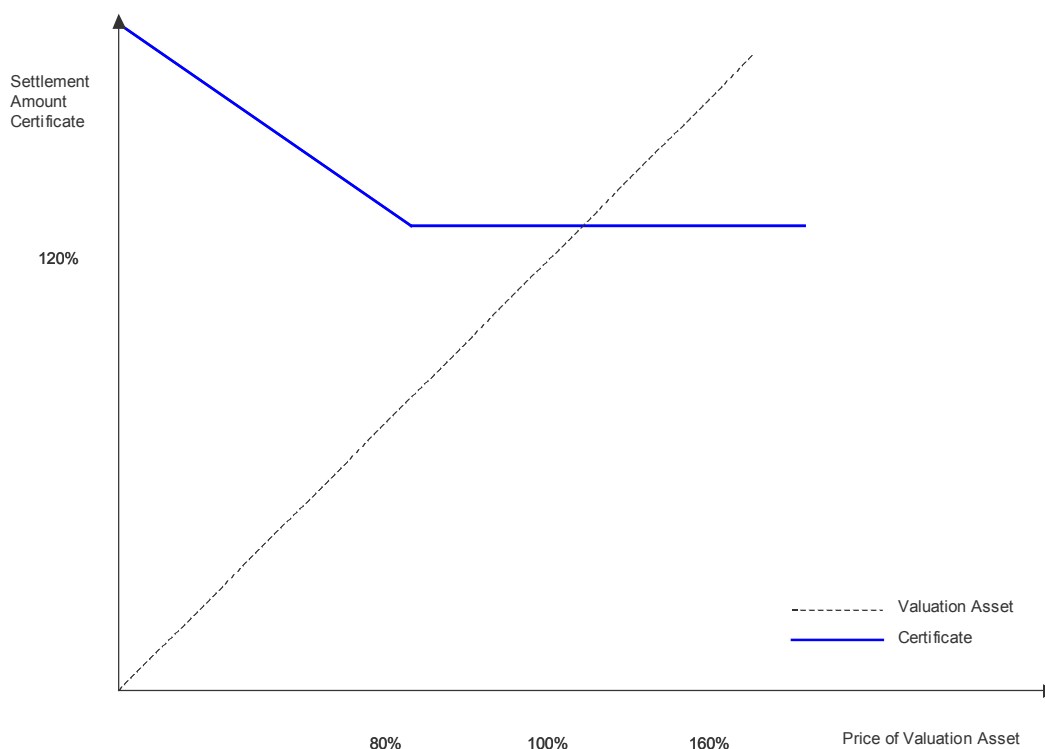
[[In the case of Reverse Bonus Certificates insert:]]

Reverse bonus certificates are Certificates with two settlement alternatives. If the condition for the minimum redemption has been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative A**. If the condition for the minimum redemption has not been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative B**. With these Certificates the performance of the Certificates essentially runs contrary to the performance of the Valuation Asset.

Condition for Minimum Redemption:

The price of the Valuation Asset does not reach or exceed a particular barrier (e.g. 160% of the Strike Price) at any time during the Observation Period.

Settlement Alternative A:



The issue price of a reverse bonus certificate is EUR 100.

The minimum redemption (Bonus) is 120% and the condition for the minimum redemption **has** been fulfilled.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 150 (2 multiplied by the Strike Price minus the Closing Value)

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

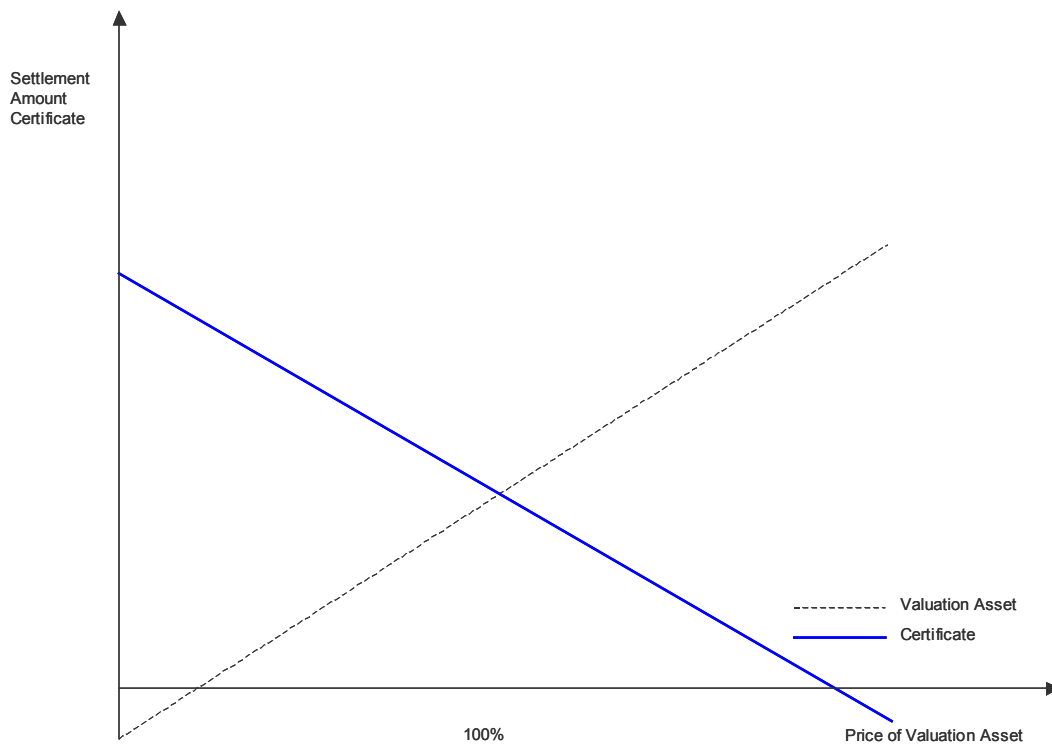
The Certificates are redeemed at EUR 120 (minimum redemption).

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 120 (minimum redemption).

Settlement Alternative B:



The issue price of a Bonus Certificate is EUR 100.

The condition for the minimum redemption **has not** been fulfilled.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 150 (2 multiplied by the Strike Price minus the Closing Value).

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 4

The Closing Value is equivalent to 210% of the Strike Price.

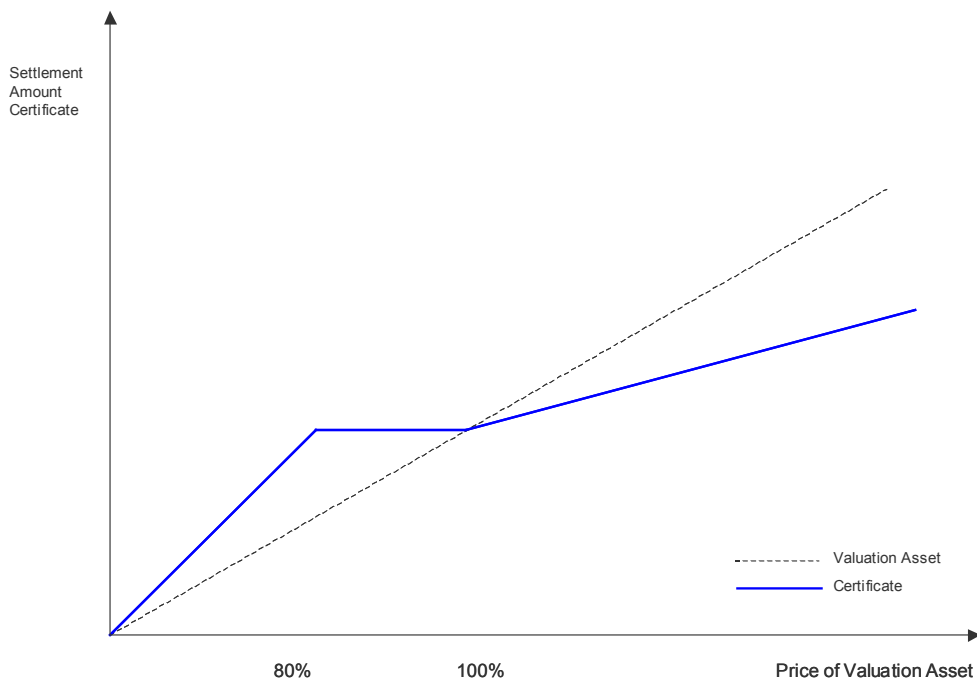
The Certificates are redeemed at EUR 0.]

[[In the case of Airbag Certificates insert:]]

Airbag Certificates are Certificates with a minimum redemption and two different Participation Rates. If the Closing Value corresponds to or is above the Strike Price the price increase in the Valuation Asset shall be multiplied by the Upside Participation Rate, which may be 100%, greater or smaller than this figure. If the Closing Value is below the Strike Price the performance of the Valuation Asset shall be multiplied by the Downside Participation Rate, which may also be 100%, greater or smaller than this figure.

Condition for Minimum Redemption:

The Closing Value is not below the Barrier (e.g. 80% of the Strike Price).



The issue price of a Certificate is EUR 100.

The Barrier for the minimum redemption is 80% of the Strike Price and the minimum redemption corresponds to 100%. The Upside Participation Rate is 80% and the Downside Participation Rate is 125%.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 62.50 (125% participation in the performance of the Valuation Asset).

Settlement Scenario 2

The Closing Value is equivalent to 90% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 140. (80% participation in the difference between 100% and the performance of the Valuation Asset (150%).]

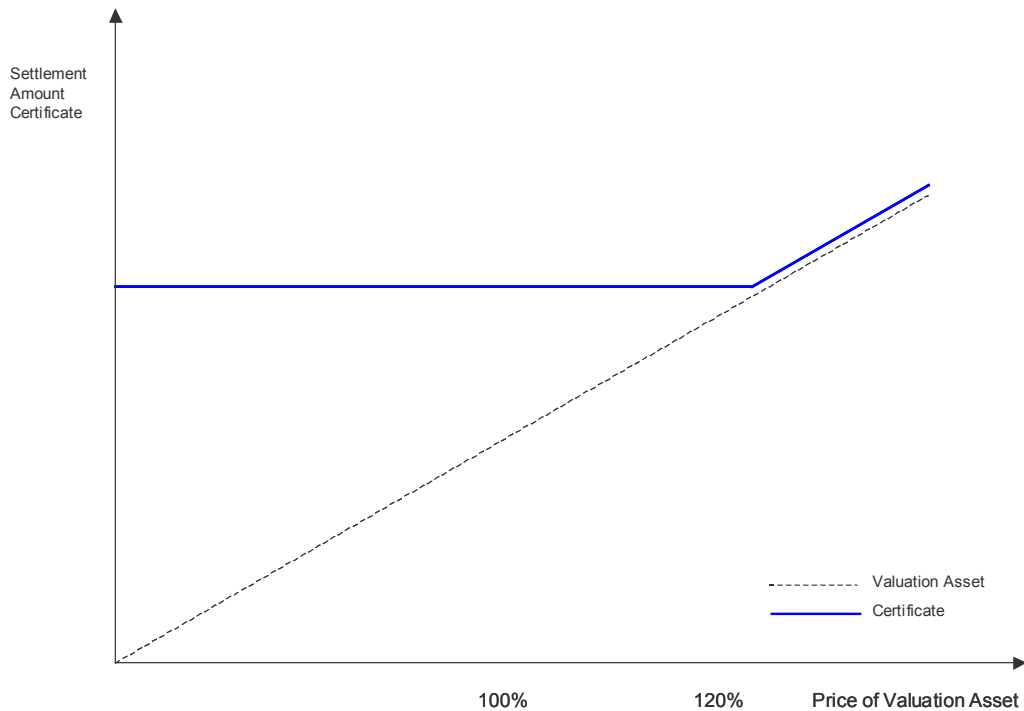
[[In the case of Lock-in Certificates insert:]]

Lock-in Certificates are Certificates with two settlement alternatives. If the condition for the minimum redemption has been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative A**. If the condition for the minimum redemption has not been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative B**.

Condition for Minimum Redemption:

The Strike Price of the Valuation Asset reaches or exceeds one of the Lock-in price Barriers at any point during the life of the Certificates. The Minimum Settlement Factor corresponds to the highest Lock-in Barrier reached or exceeded during the life of the Certificates.

Settlement Alternative A:



The issue price of a Lock-in Certificate is EUR 100.

The condition for the minimum redemption **has** been fulfilled. The highest Lock-in Barrier reached or exceeded is 120%. The corresponding Minimum Settlement Factor is 120%.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 120.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

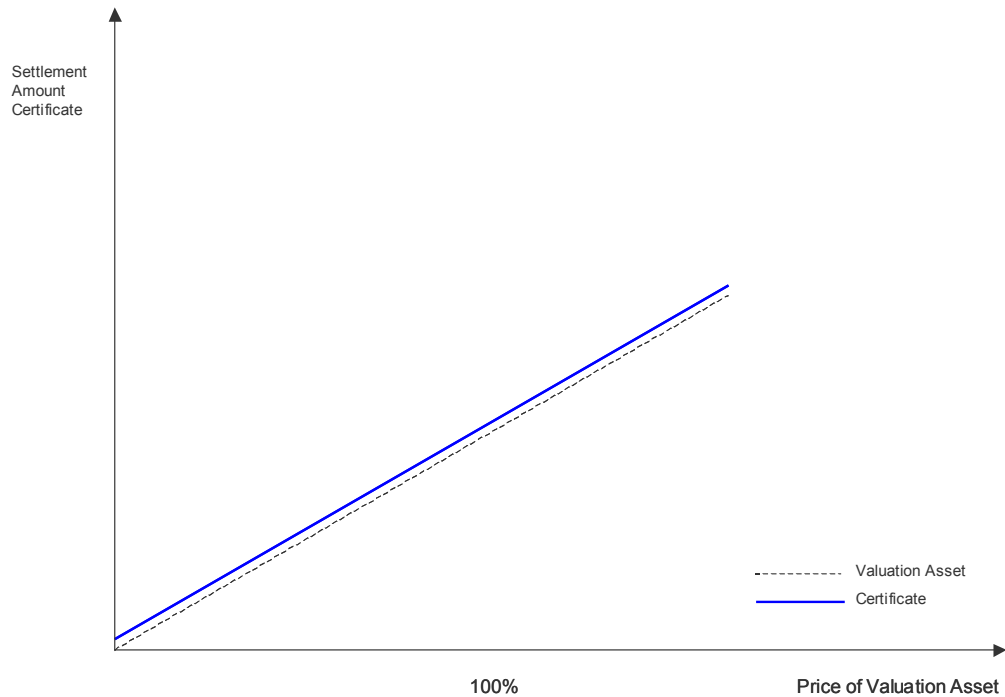
The Certificates are redeemed at EUR 120.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.

Settlement Alternative B:



The issue price of a Lock-in Certificate is EUR 100.

The condition for the minimum redemption **has not** been fulfilled.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.]

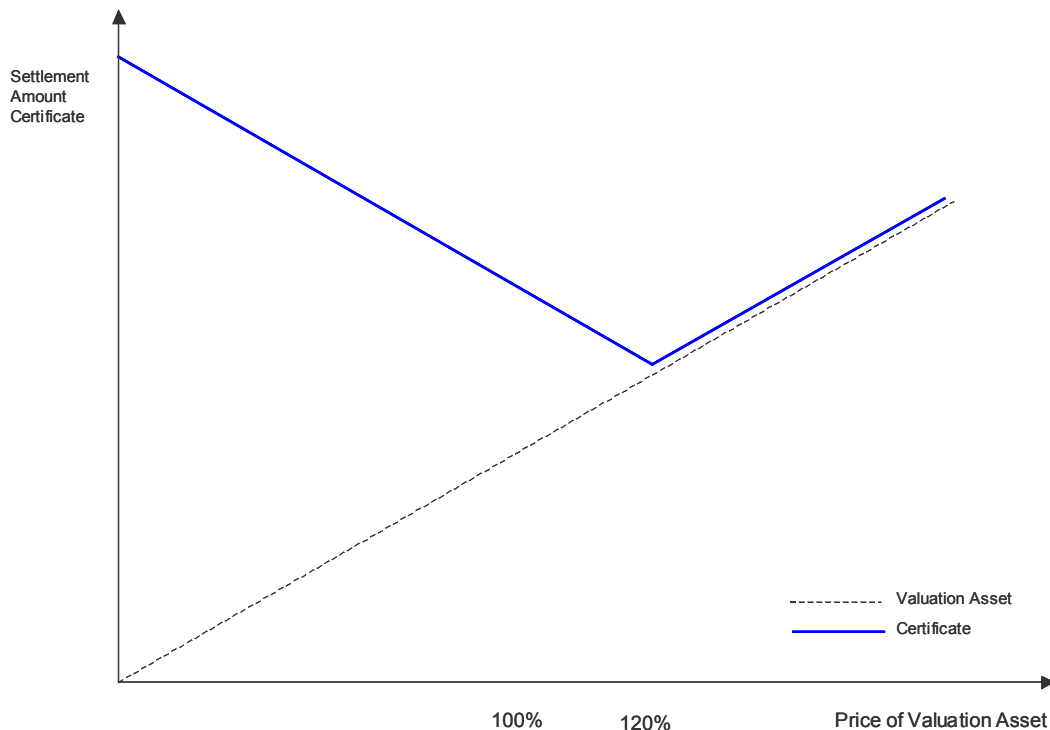
[[In the case of Victory Certificates insert:]]

Victory Certificates are Certificates with two settlement alternatives. If the condition for the minimum redemption has been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative A**. If the condition for the minimum redemption has not been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative B**.

Condition for Minimum Redemption:

The Strike Price of the Valuation Asset reaches or exceeds one of the Victory Barriers at any point during the life of the Certificates. The Minimum Settlement Factor corresponds to the highest Victory Barrier reached or exceeded during the life of the Certificates and the performance of the Valuation Asset (expressed as a percentage).

Settlement Alternative A:



The issue price of a Victory Certificate is EUR 100. The Victory Barrier is 120%. The condition for the minimum redemption **has** been fulfilled. The Minimum Settlement Factor corresponds to 120% plus the absolute difference between 120% and the performance of the Valuation Asset (expressed as a percentage).

Settlement Scenario 1

The Closing Value is equivalent to 40% of the Strike Price.

The Certificates are redeemed at EUR 200.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

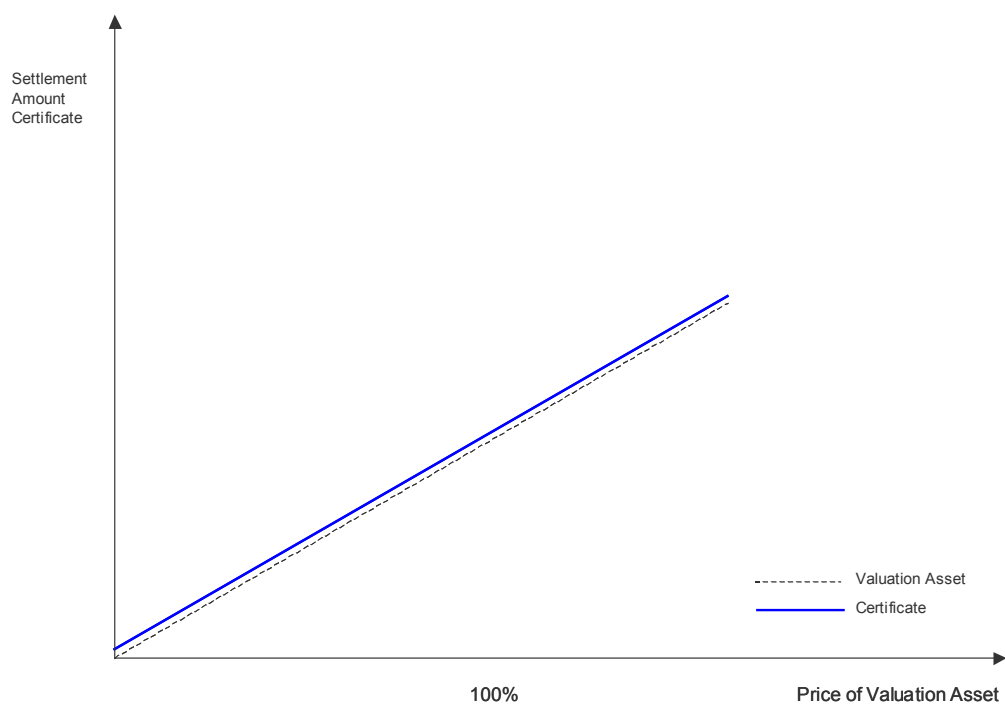
The Certificates are redeemed at EUR 140.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.

Settlement Alternative B:



The issue price of a Victory Certificate is EUR 100.

The condition for the minimum redemption **has not** been fulfilled.

Settlement Scenario 1

The Closing Value is equivalent to 50% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 150.]

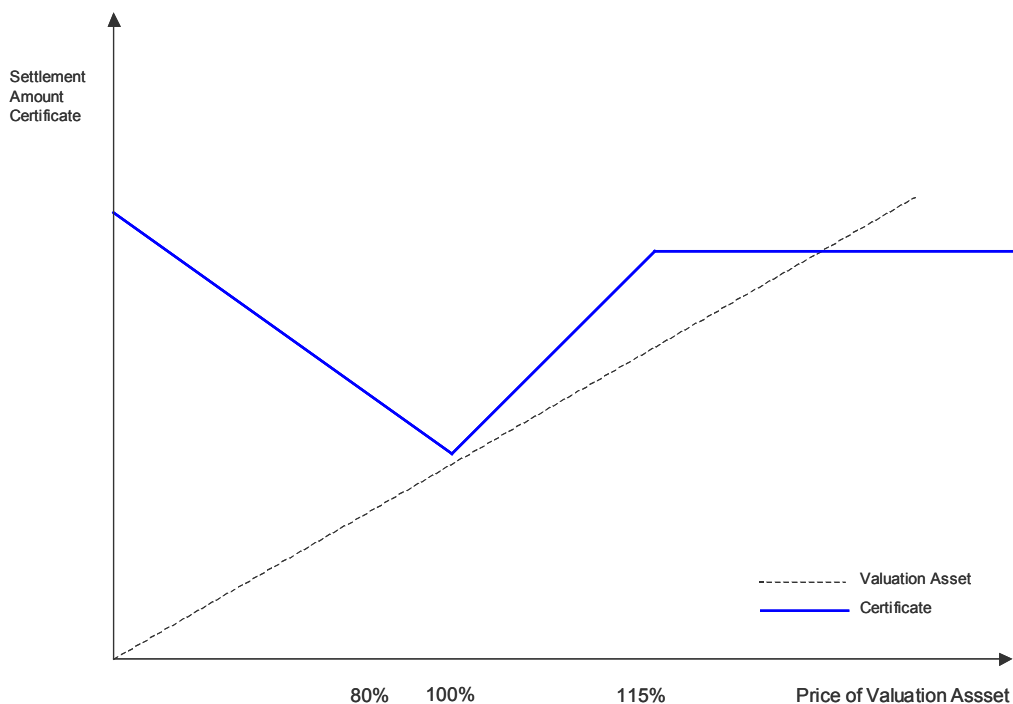
[[In the case of Butterfly Certificates insert:]]

Butterfly certificates are Certificates with two settlement alternatives and a Participation Rate above 100% (in the event of an increase in the price of the Valuation Asset) and a cap. If the condition for the minimum redemption has been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative A**. If the condition for the minimum redemption has not been fulfilled the Certificates shall be redeemed in accordance with **Settlement Alternative B**.

Condition for Minimum Redemption:

The Strike Price of the Valuation Asset does not reach or exceed the Butterfly Barrier at any point during the life of the Certificates. The Minimum Settlement Factor in this case, subject to the Cap, corresponds to 100% plus the absolute difference between 100% and the Performance of the Valuation Asset (expressed as a percentage).

Settlement Alternative A:



The issue price of a Butterfly Certificate is EUR 100. The Butterfly Barrier is 80%.

The Cap is 130%. The Participation Rate is 200%. The Butterfly Barrier was not reached or exceeded at any point during the life of the Certificates and the condition for the minimum redemption has consequently been fulfilled. The Minimum Settlement Factor in the event of a fall in the price of the Valuation Asset corresponds to 100% plus the absolute difference between 100% and the Performance of the Valuation Asset (expressed as a percentage). In the event of an increase in the price of the Valuation Asset the Minimum Settlement Factor corresponds to 100% plus the difference between the Performance of the Valuation Asset (expressed as a percentage) and 100% multiplied by the Participation Rate, up to the maximum represented by the Cap (130%).

Settlement Scenario 1

The Closing Value is equivalent to 85% of the Strike Price.

The Certificates are redeemed at EUR 115.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 115% of the Strike Price.

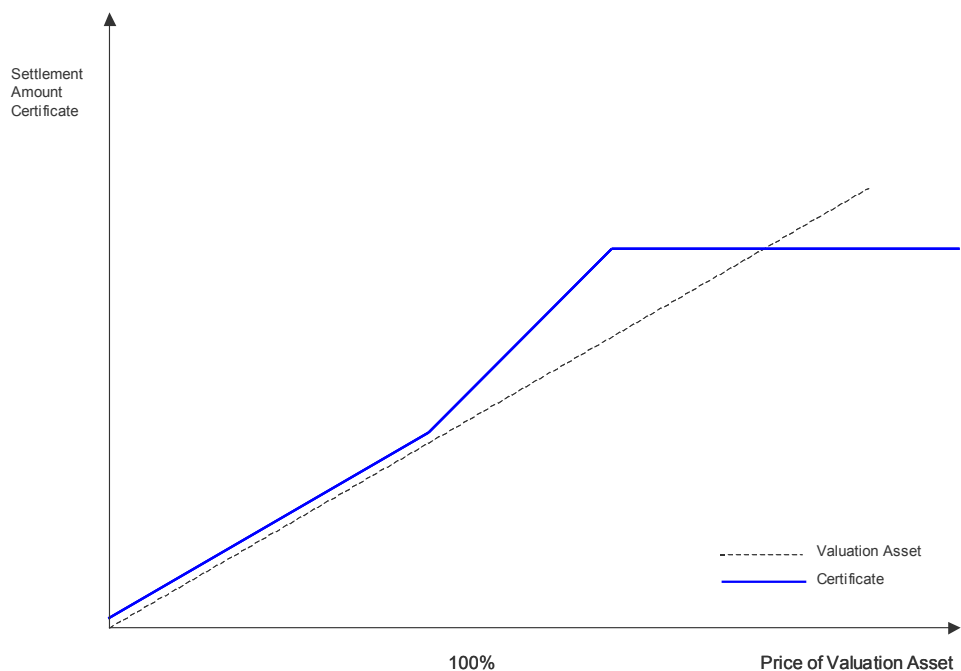
The Certificates are redeemed at EUR 130.

Settlement Scenario 4

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 130.

Settlement Alternative B:



The issue price of a Butterfly Certificate is EUR 100. The Butterfly Barrier is 80%.

The Cap is 130%. The Participation Rate is 200%. The Butterfly Barrier was reached or exceeded at any point during the life of the Certificates and the condition for the minimum redemption has consequently not been fulfilled. In the event of an increase in the price of the Valuation Asset the Minimum Settlement Factor corresponds to 100% plus the difference

between the Performance of the Valuation Asset (expressed as a percentage) and 100% multiplied by the Participation Rate, up to the maximum represented by the Cap (130%).

In the event of a fall in the price of the Valuation Asset the Minimum Settlement Factor corresponds to the Performance of the Valuation Asset (expressed as a percentage).

Settlement Scenario 1

The Closing Value is 50% of the Strike Price.

The Certificates are redeemed at EUR 50.

Settlement Scenario 2

The Closing Value is equivalent to 100% of the Strike Price.

The Certificates are redeemed at EUR 100.

Settlement Scenario 3

The Closing Value is equivalent to 115% of the Strike Price.

The Certificates are redeemed at EUR 130.

Settlement Scenario 4

The Closing Value is equivalent to 150% of the Strike Price.

The Certificates are redeemed at EUR 130.]

[[In the case of the above-mentioned Certificates for Certificates with specific features insert:]]

[Insert description of feature: •]

[Insert description of settlement scenario: •]]

ANNEX [•]

Additional Risk Factors

[Include any product specific risk factors which are not covered under "Risk Factors" in the Base Prospectus.]

ANNEX [•]

Interests of Natural and Legal Persons Involved in the Issue

[Include a description of any interest (including conflicting ones) that is material to the issue/offer, detailing the entities/persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Distribution Arrangements" in the Base Prospectus, so far as the Issuer and the Guarantor are aware, no person involved in the issue of the [Warrants/Certificates] has an interest material to such issue."

ANNEX 5

THE GUARANTEE

THIS GUARANTEE is made on **12 March 2007** by **THE GOLDMAN SACHS GROUP, INC.**, a corporation duly organized under the laws of the State of Delaware (the "**Guarantor**").

WHEREAS:

- (A) Goldman Sachs International (the "**Issuer**") has determined to institute a programme (the "**Programme**") for the issuance of warrants (the "**Warrants**") and certificates (the "**Certificates**") and together with the Warrants, the "**Securities**") in connection with which it has prepared a base prospectus dated 12 March 2007 (the "**Base Prospectus**", which expression shall include any amendments or supplements thereto) and entered into a (i) programme agreement dated 12 March 2007 (the "**Agreement**", which expression shall include any amendments or supplements thereto) with Citibank AG, Frankfurt Office, as Principal Programme Agent and the other agents named therein and (2) a deed of covenant dated 12 March 2007 (the "**Deed of Covenant**").
- (B) From time to time the Issuer may, in accordance with the Agreement, issue Tranches of Securities under the Programme subject to the terms and conditions described in the Base Prospectus and the relevant Final Terms.
- (C) The Guarantor has determined to execute this Guarantee of the Issuer's payment obligations in respect of the Securities for the benefit of the holders from time to time of the Securities (each a "**Holder**").
- (D) Terms defined in the Agreement shall bear the same meaning in this Guarantee.

THE GUARANTOR hereby agrees as follows:

1. For value received, the Guarantor hereby unconditionally guarantees to the Holder of each Security the payment obligations of the Issuer in accordance with the terms and conditions of the Agreement, the Deed of Covenant and the Securities. In the case of failure of the Issuer punctually to make payment of any Settlement Amount, the Guarantor hereby agrees to cause any such payment to be made promptly when and as the same shall become due and payable as if such payment was made by the Issuer in accordance with the terms and conditions of the Securities.
2. This Guarantee is one of payment and not of collection.
3. The Guarantor hereby waives notice of acceptance of this Guarantee and notice of any obligation or liability to which it may apply, and waives presentment, demand for payment, protest, notice of dishonor or non-payment of any such obligation or liability, suit or the taking of other action by any Holder against, and any notice to, the Issuer, the Guarantor or any other party.
4. The obligations of the Guarantor hereunder will not be impaired or released by (1) any change in the terms of any obligation or liability of the Issuer under the Agreement, the Deed of Covenant or the Securities or (2) the taking or failure to take any action of any kind in respect of any security for any obligation or liability of the Issuer under the Agreement, the Deed of Covenant or the Securities or (3) the exercising or refraining from exercising of any rights against the Issuer or any other party or (4) the compromising or subordinating of any obligation or liability of the Issuer under the Agreement or the Securities, including any security therefor.

5. Upon any assignment or delegation of the Issuer's rights and obligations under the Securities pursuant to the terms and conditions of the Securities to a partnership, corporation, trust or other organization in whatever form (the "**Substitute Issuer**") that assumes the obligations of the Issuer under the Securities by contract, operation of law or otherwise, this Guarantee shall remain in full force and effect and thereafter be construed as if each reference herein to the Issuer was a reference to the Substitute Issuer.
6. The Guarantor may not assign its rights nor delegate its obligations under this Guarantee in whole or in part, except for an assignment and delegation of all the Guarantor's rights and obligations hereunder to another entity in whatever form that succeeds to all or substantially all of the Guarantor's assets and business and that assumes such obligations by contract, operation of law or otherwise. Upon any such delegation and assumption of obligations, the Guarantor shall be relieved of and fully discharged from all obligations hereunder.
7. **THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH NEW YORK LAW.**

THE GOLDMAN SACHS GROUP, INC.

By:
Authorized Officer

REGISTERED OFFICE OF THE ISSUER

Peterborough Court
133 Fleet Street
London EC4A 2BB
England

PRINCIPAL OFFICE OF THE GUARANTOR

85 Broad Street
New York, NY 10004
USA

PRINCIPAL PROGRAMME AGENT

**Citigroup Global Markets
Deutschland AG & Co. KGaA**
Frankfurter Welle
Reuterweg 16
60323 Frankfurt am Main
Germany

PROGRAMME AGENT

**Dexia Banque Internationale à
Luxembourg, société anonyme**
69, route d'Esch
L-2953 Luxembourg
Grand Duché de Luxembourg

SWEDISH PROGRAMME AGENT

Skandinaviska Enskilda Banken AB (publ)

Kungsträdgårdsgatan 8
SE-106 40, Stockholm
Sweden

REGISTRAR

Goldman Sachs Japan Co., Ltd.

Roppongi Hills Mori Tower
47th floor
10-1, Roppongi 6-chome
Minato-ku, Tokyo 106-6147
Japan

LONDON AUTHENTICATION AGENT

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
England

LEGAL ADVISERS TO THE ISSUER

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
England

AUDITORS OF THE ISSUER

PricewaterhouseCoopers LLP

1 Embankment Place
London WC2N 6RH
England

INDEPENDENT ACCOUNTANTS

OF THE GUARANTOR

PricewaterhouseCoopers LLP

300 Madison Avenue
New York, NY 10017
USA

LISTING AGENT
Dexia Banque Internationale à
Luxembourg, société anonyme
69, route d'Esch
L-2953 Luxembourg
Grand Duché de Luxembourg