

Prospectus dated 9 November 2010

alliander

Alliander N.V.

(incorporated with limited liability in The Netherlands with its statutory seat in Arnhem)

€500,000,000 Fixed-to-Floating Rate Perpetual Capital Securities

Issue Price 99.495 per cent.

The €500,000,000 Fixed-to-Floating Rate Perpetual Capital Securities (the "Securities") will be issued by Alliander N.V. (the "Issuer" or "Alliander", formerly known as n.v. Nuon). Interest is payable subject to and in accordance with the Terms and Conditions of the Securities. From (and including) 11 November 2010 until (but excluding) 11 November 2015 the Securities will bear interest at a rate of 4.875 per cent. per annum, payable annually in arrear on 24 June of each year, starting on 24 June 2011 in respect of a short first coupon and on 11 November 2015. Thereafter, unless previously redeemed, the Securities, from (and including) 11 November 2015 to (but excluding) 11 November 2020 will bear interest at a rate per annum which shall be 2.90 per cent. above the 5 year Swap Rate determined two Business Days prior to the beginning of the Second Fixed Rate Period (as defined in the Terms and Conditions of the Securities), payable annually in arrear on 24 June in each year and on 11 November 2020, and from (and including) 11 November 2020 to but excluding the date on which they are redeemed will bear interest at the Euro Interbank offered rate for one year Euro deposits, plus a margin of 3.90 per cent., payable annually in arrear on 24 June in each year. Payments on the Securities will be made without deduction for or on account of taxes of The Netherlands to the extent described under "*Terms and Conditions of the Securities — Taxation*".

The Issuer may at its discretion elect to defer any payment of interest on the Securities (subject to limited exceptions), see "*Terms and Conditions of the Securities — Deferral of Interest*". Any amounts so deferred shall constitute Arrears of Interest (as defined in the Terms and Conditions of the Securities). Arrears of Interest shall bear interest. The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time (as described in the Terms and Conditions of the Securities). The Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first to occur of the following dates: (i) the Coupon Payment Date immediately following a Mandatory Payment Event (as defined in the Terms and Conditions of the Securities); (ii) the date on which the Securities are redeemed (in whole, but not in part) in accordance with Condition 3 (Winding-up), Condition 6(b) (Optional Redemption by the Issuer), Condition 6(c) (Redemption for Taxation Reasons), Condition 6(d) (Redemption for Accounting Reasons) or Condition 6(e) (Redemption for Rating Reasons) or Condition 6(f) (Redemption following exercise of Clean-up Call), all as described in "*Terms and Conditions of the Securities*".

The Securities are perpetual securities in respect of which there is no fixed redemption date, see "*Terms and Conditions of the Securities — Redemption and Purchase*". The Securities will become due and payable in the event of a winding-up of the Issuer, see "*Terms and Conditions of the Securities — Winding-up*". The Securities may be redeemed at the option of the Issuer, including, without limitation, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event, an Accounting Event, a Rating Event (each as defined in the Terms and Conditions of the Securities) and following exercise by the Issuer of a call option following the purchase by the Issuer of 80 per cent. or more of the Securities (the "Clean-up Call"). See "*Terms and Conditions of the Securities — Redemption and Purchase*", which also includes the terms applicable to such redemption including the basis for calculating the redemption amounts payable.

The Securities will constitute subordinated obligations of the Issuer as described in "*Terms and Conditions of the Securities — Status and Subordination*" and "*Terms and Conditions of the Securities — Winding-up*".

Application has been made to The Netherlands Authority for the Financial Markets (the "AFM") in its capacity as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) relating to prospectuses for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). Application has also been made to Euronext Amsterdam N.V. for the Securities to be listed on Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam"). References in this Prospectus to the Securities being "listed" (and all related references) shall mean that the Securities have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Securities will initially be represented by a Temporary Global Security, without interest coupons attached, which will be deposited with a common depository on behalf of the Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank SA/NV ("Euroclear") on or about 11 November 2010. The Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons attached, on or after a date which is expected to be 21 December 2010, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of €50,000 and integral multiples of €1,000 in excess thereof in the limited circumstances set out in it. No definitive Securities will be issued with a denomination above €99,000, see "*Summary of Provisions relating to the Securities while in Global Form*".

The Securities have been rated BBB+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc ("Standard & Poor's") and A3 by Moody's Investors Service, Inc. ("Moody's"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Structuring Advisors

Morgan Stanley

Citi

Joint Lead Managers

Citi

Morgan Stanley

Rabobank International

This Prospectus comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers (as defined in "*Subscription and Sale*" below) to subscribe or purchase, any of the Securities. The distribution of this Prospectus and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Securities and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that the information contained in it or any other information supplied in connection with the Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus or have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Securities. No Joint Lead Manager or any of their respective affiliates accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Securities or their distribution.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

References to "euro", "EUR" and "€" refer to the lawful currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

Words and expressions defined in Condition 19 of the Terms and Conditions of the Securities shall have the same meanings ascribed to them in Condition 19 when used in other parts of this Prospectus.

In connection with the issue of the Securities, Citigroup Global Markets Limited (the "**Stabilising Manager**") (or any person acting on behalf of any Stabilising Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting

on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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Risk Factors

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Securities are also described below.

The Issuer believes that the factors described below represent the risks inherent in investing in the Securities, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Securities.

Risks related to Cross Border Lease Agreements

In the period 1998 to 2000, various energy companies in the Netherlands, including Alliander, entered into cross-border leases ("CBLs") for networks. These concern complex financial transactions with long durations which have been structured in such a way that the amounts placed on deposit and invested in securities (including interest received) at the start of the contracts are generally sufficient to meet the future payment obligations (lease instalments and amounts payable upon the possible exercise of the purchase option). The most important risk in respect of CBLs consists of an early termination of the transaction as a result of the occurrence of certain events of default or loss as laid down in the documentation, where Alliander is liable to pay the termination value. This risk is proactively monitored, partly through a CBL-committee that is chaired by the Chief Financial Officer. A clear policy for the CBLs has been formulated and is actively adhered to. This policy is aimed at the further mitigation of the risks.

At the end of 2009 the maximum 'strip risk' (the portion of the 'termination value' – the possible compensation payable to the American counterparty in the event of early termination of the relevant transaction – which cannot be settled from the deposits and investments held for this purpose) for all transactions together amounted to USD 691 million (2008: USD 603 million). To cover the equity strip risk (the portion of the strip risk that involves the equity investments by US investors which cannot be settled by the investments held for this purpose), amounting to USD 518 million at the end of 2009 (2008: USD 378 million), Alliander has provided the investors involved with security in the form of letters of credit for an amount of USD 312 million (2008: USD 349 million) in various transactions. The number and size of the letters of credit to be issued depend partly on Alliander's credit rating. In the context of some of the letter of credit facilities, a pledge has been established in favour of the banks concerned on the cash deposits held at those banks for a total of USD 42 million at the end of 2009 (2008: USD 79 million).

Impact of Dutch regulatory framework on revenue, profits and financial position of the Issuer

The revenue, profits, and financial position of the Issuer could be affected by the regulatory framework in two different ways:

The regulated activities of the Issuer depend on licences, authorisations, exemptions and/or dispensations in order to operate its business. These licenses, authorisations, exemptions and/or dispensations may be subject

to withdrawal, amendment and/or additional conditions being imposed on the regulated activities of the Issuer which could affect the revenue, profits and financial position of the Issuer.

The Issuer's income depends on dividends received from its subsidiaries. The Issuer's largest subsidiary, Liander N.V. ("**Liander**"), derives its revenues to a large extent from regulated activities. These revenues depend on governmental regulations and European legislation, which implies that the Issuer's net income is sensitive to regulatory amendments.

The impact of the Dutch regulatory framework in its current form on the income of the Issuer can be illustrated by the fact that in 2009, 85% of the Issuer's consolidated revenues were generated by regulated activities.

The revenue of Liander is subject to ex ante regulation by the Energy Chamber of the Dutch Competition authority (the "**Energy Chamber**"). Therefore the regulatory framework has a substantial effect on the dividend income of the Issuer.

The impact of the regulatory framework on the revenue of Liander can be described as follows. Liander's revenue is dependent on a series of regulatory decisions of the Energy Chamber, notably the Regulation Method Decision (the "**Method Decision**"), the Efficiency Discount Decision, the Accounting Volume Decision, the annual tariff decisions and decisions in respect of one-off tariff increases to cover the costs of significant investments. As a consequence Liander's overall financial position is sensitive to regulatory decisions based on estimated data (such as inflation), false assumptions, defective research, efficiency and productivity goals which are too stringent or a failure to acknowledge costs which Liander cannot avoid incurring. The following paragraphs expand on some specific aspects of this risk, which are particularly relevant for the position of the Issuer.

Liander's level of permitted revenue includes a component based on the weighted average costs of capital ("**WACC**"). The variables used to calculate the WACC are the cost of equity, the cost of debt, the relative percentages of debt and equity in the capital structure and the corporate tax rate. The cost of equity represents the expected return on investment for the shareholders. The Issuer is the sole shareholder of Liander. The cost of debt represents the expected cost of debt for a company with an "A" credit rating. As is the case for almost all other cost factors the Energy Chamber bases the WACC on data which precede the regulation period for which the WACC is determined. Thus, the WACC may insufficiently reflect the costs of capital which Liander will effectively incur during the relevant regulation period, negatively impacting its profitability. For the current tariff regulation period (ending 31 December 2010), the cost of equity was set at 7.3% and the cost of debt at 4.8%. In addition, Liander's actual capitalisation may differ from the 60/40 debt/equity ratio assumed in the Method Decision, which could also negatively impact Liander's profitability. Finally, the actual corporate tax rate may deviate from the corporate tax rate assumed in the Method Decision, which could negatively impact Liander's profitability.

Part or all of the investments made by Liander (directly or indirectly) may not be deemed to be efficient and consequently not allowed to be included in the Regulatory Asset Base ("**RAB**"). The RAB represents the value of part of Liander's assets, based on assets permitted to be included in such assets base by the Energy Chamber and calculated using the permitted depreciation methods set by the Energy Chamber. Liander will not be compensated for the cost of the capital related to (the part of) the investment not included in the RAB. Practically, this means that the WACC is not applied to (part of) that investment. In addition, not allowing an investment to be included in the RAB means that depreciation of (part of) that investment is not acknowledged as costs that Liander is allowed to recover through its tariffs.

Political risk

The uncertainties related to the political decision-making about such issues as the restructuring and upscaling of the network companies and the introduction of the smart meter influence the company's development.

Commodity price risk

Market price risk related to the procurement of electricity can have an impact on the financial results of Alliander. The need to procure electricity stems from the fact that grid operators have to replace electricity that is lost in the distribution of electricity. In general, these grid losses are estimated from the discrepancy between energy produced (as reported by power plants) and energy sold to end customers. The annual average grid losses are estimated at 1.5TWh.

Available labour capacity for strategic staff planning

In view of its ageing workforce, Alliander needs to have company-wide insight into the expected overall staffing developments and requirements for the medium term. Natural attrition of staff is likely to lead to a net departure of technical and engineering staff in the coming years.

Moreover, given the number of externally hired full-time employees (FTEs) in the past years – mainly in connection with the implementation of projects – there is the risk of Alliander becoming too dependent on external hiring of technical and engineering staff. This gives rise to the specific risk that the knowledge that these hired employees have acquired in essential and specific areas of expertise is lost upon their departure. This is however a sector-wide issue and not specific to Alliander only.

Risks related to the Securities generally

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Issuer and the Securities, the merits and risks of investing in the Securities and the information contained in this Prospectus or any applicable supplement to this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;
- (iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and the financial markets in which they participate; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Sophisticated institutional investors generally purchase complex financial instruments as part of a wider financial structure rather than as stand-alone investments. These investors purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Securities

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made for the Securities to be admitted to listing and trading on Euronext Amsterdam by NYSE Euronext, a regulated market of Euronext Amsterdam N.V., there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Securities. Lack of liquidity may have an adverse effect on the market value of the Securities.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Securities are legal investments for it, (2) the Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

The Securities are perpetual securities and need not be redeemed by the Issuer

The Securities are undated securities with no specified maturity date and the holders of the Securities have no right to call for their redemption. Accordingly there is uncertainty as to when (if ever) an investor in the Securities will receive repayment of the principal amount of the Securities.

The Securities could be redeemed at any time upon a Withholding Tax Event, A Tax Deduction Event, an Accounting Event or a Rating Event or following the exercise by the Issuer of the Clean-up Call, or on the First Call Date or on the Step-up Date, and on any Coupon Payment Date falling after the Step-up Date

The Securities may be redeemed, in whole but not in part, at the option of the Issuer at any time upon the giving of notice at (a) their Early Redemption Amount, if such redemption occurs before (but excluding) the Step-up Date or (b) at their principal amount, if such redemption occurs after (or on) the Step-up Date (together with accrued but unpaid interest and all Arrears of Interest and Additional Amounts, if any) in the event that (1) the Issuer would be obliged to increase the amounts payable in respect of any payment due on the Securities due to any withholding or deduction for or on account of any present or future taxes by or on behalf of The Netherlands (a Withholding Tax Event), or (2) the payment of interest under Securities were but are or will no longer be tax deductible by the Issuer for the purposes of Dutch corporate income tax purposes (a Tax Deduction Event), or (3) the Issuer has received an opinion from a recognised independent auditor that the Securities will no longer or may no longer be classified as "equity" in the consolidated accounts of the Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union (an Accounting Event), or (4) following the exercise by the Issuer of the Clean-up Call.

The Securities may also be redeemed, in whole but not in part, at the option of the Issuer at any time upon the giving of notice at (a) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the Step-up Date or (b) at their principal amount, if such redemption occurs after (or on) the Step-up Date (together with, in each case, accrued but unpaid interest and all Arrears of Interest and Additional Amounts, if any) in the event that the Issuer has received confirmation from one or more rating agencies which has assigned a sponsored rating to the Issuer that the Securities will no longer be eligible for the same or higher category of equity credit (as defined by such rating agency) as attributed to the Securities at the Issue Date (a Rating Event).

In addition, the Securities may be redeemed, in whole but not in part, at the option of the Issuer at any time upon the giving of notice at their principal amount (together with accrued but unpaid interest and all Arrears of Interest and Additional Amounts, if any) on the First Call Date, the Step-up Date and on any Coupon Payment Date falling after the Step-up Date. See "*Terms and Conditions of the Securities - Redemption and Purchase*".

An optional redemption feature is likely to limit the market value of the Securities. During any period when the Issuer may elect to redeem the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An investor may not be able to reinvest the proceeds of the redemption of the Securities in a comparable security at a rate of return similar to that of the Securities. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer has the option to defer any payment of interest on the Securities

The Issuer has the option to defer any payment of interest on the Securities indefinitely as provided in Condition 4(a) (*Deferral of Payments*). Any such deferral shall not constitute a default by the Issuer for any purpose. Any interest in respect of the Securities not paid shall, so long as the same remains unpaid, constitute "Arrears of Interest".

Any Arrears of Interest may be paid in whole or in part at any time, and in any event, will automatically remain due and become payable under certain conditions as provided for in Condition 4(b) (*Compulsory Payments*).

Any deferral of interest payments will likely have an adverse effect on the market price of the Securities. In addition, as a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrual is not subject to such deferrals, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

The Securities will be unsecured and subordinated

If the Issuer is declared insolvent and a winding-up is initiated, it will be required to pay the holders of prior-ranking debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt which ranks lower than or equally with the Securities) in full before it can make any payments on the Securities. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Securities.

The Securities will be deeply unsecured and subordinated obligations and the most junior instrument in the capital of the Issuer, other than ordinary shares. The Issuer may be able to incur significant additional secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness. If the Issuer becomes insolvent or is liquidated, or if payment under any secured or unsecured unsubordinated and/or prior-ranking subordinated debt obligations is accelerated, the Issuer's secured or unsecured unsubordinated or, as the case may be, prior-ranking subordinated lenders would be entitled to exercise the remedies available to a secured or unsecured unsubordinated and/or prior-ranking subordinated lender before the Holders. As a result, the Securities are subordinated to any secured or unsecured unsubordinated indebtedness and/or prior-ranking subordinated indebtedness that the Issuer may incur in the future, and the holders of the Securities may recover rateably less than the lenders of the Issuer's secured or unsecured unsubordinated debt and/or prior-ranking subordinated debt in the event of the Issuer's bankruptcy or liquidation.

Unsubordinated liabilities of the Issuer may also arise from events that are not reflected on the balance sheet of the Issuer, including, without limitation, insurance or reinsurance contracts, derivative contracts, the issuance of guarantees or the incurrence of other contingent liabilities on an unsubordinated basis. Claims made under such guarantees or such other contingent liabilities will become unsubordinated liabilities of the Issuer that in a winding-up or insolvency proceeding of the Issuer will need to be paid in full before the obligations under the Securities may be satisfied.

No limitation on issuing senior or pari passu securities

There is no restriction in the documentation entered into in connection with the issue of the Securities by the Issuer on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders and Couponholders on a winding-up or administration of the Issuer and/or may increase the likelihood of a deferral of Coupon Payments under the Securities.

Restricted remedy for non-payment when due

In accordance with the Conditions, the sole remedy against the Issuer available to any Holder or Couponholder for recovery of amounts which have become due and payable in respect of the Securities will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up or administration of the Issuer, or the institution of such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Agency Agreement or the Securities. However, such proceedings cannot oblige the Issuer to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it under the Conditions. The Securities cannot cross default based on non-payment on other securities, except where such non-payment on other securities itself results in the winding-up of the Issuer. The Holders of the Securities have limited ability to influence the outcome of an insolvency or liquidation or restructuring outside an insolvency or liquidation.

The Securities have a Floating Coupon Rate after the Step-up Date

The Securities will bear interest at a floating rate from and including the Step-up Date. This floating rate comprises (i) a reference rate and (ii) a margin to be added to such base rate. There will be a periodic adjustment of the reference rate (every twelve months) which itself will change in accordance with general market conditions. Accordingly, the market value of the Securities may be volatile if changes, particularly long-term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Securities upon the next periodic adjustment of the relevant reference rate.

The Issuer's option to redeem the Securities as from the day following the First Call Date and prior to 12 November 2035 is subject to compliance by the Issuer with the terms of the Replacement Capital Covenant

At or about the time of the issuance of the Securities, the Issuer will enter into a replacement capital covenant for the benefit of Holders, from time to time, of designated series of long-term indebtedness of the Issuer (see paragraph 7 of "*General Information*"). The Replacement Capital Covenant provides that, subject to certain exceptions, neither the Issuer nor any member of the Group may repay, redeem or repurchase any of the Securities between the day following the First Call Date and the termination of the Replacement Capital Covenant (on 12 November 2035, or earlier if certain conditions are met), unless a certain amount of a certain class of qualifying financing instruments replaces the Securities that are so repaid, redeemed or repurchased.

It is possible that circumstances could arise in which it would be in the interests of both the Issuer and the Holders that the Securities be redeemed by the Issuer, but the Issuer is restricted from doing so because it cannot obtain proceeds from the issue or sale of such qualifying financing instruments as designated in the

Replacement Capital Covenant. The Replacement Capital Covenant could restrict the Issuer's ability to exercise its option to redeem the Securities in accordance with the Conditions.

Modification and waiver

Pursuant to the Conditions, the Issuer may modify the Conditions, or substitute other securities in place of the Securities, without the consent of the Holders in the event of a Tax Deduction Event, an Accounting Event, a Rating Event or a Withholding Tax Event in order that such event ceases to exist after the modification. The Conditions as at the Issue Date provide that, following any such modification or substitution, the modified or substitution securities should (i) not be less favourable to the Holders than the terms of the Securities prior to such exchange or modification, (ii) be substantially identical to the terms of the Securities, apart from the necessary modification and (iii) continue to be listed on an internationally recognised stock exchange. The Conditions also stipulate that either (A) the person having the obligations of the Issuer under the modified or substitution Securities must continue to be the Issuer or (B) such person is another member of the Group and such obligations are guaranteed by the Issuer. Nonetheless, it is possible that any modified or substitution Securities will contain Conditions that are contrary to the investment criteria of certain investors. Any resulting sale of the Securities, or of the modified or substitution securities, may be adversely affected by market perception of and price movements in the terms of the modified or substitution securities.

In addition, the Conditions contain provisions for calling meetings of holders of Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Securities including holders that did not attend and vote at the relevant meeting and holders that voted in a manner contrary to the majority. The Conditions also provide that any of the provisions of the Securities and the Conditions may be modified without the consent of the Holders to correct a manifest error or if such modification is of a formal, minor or technical nature and is not prejudicial to the interests of the Holders.

Because the Global Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Securities will be represented by a temporary global bearer security which is exchangeable for a permanent global bearer security except in certain limited circumstances described in such global bearer securities. These bearer global securities will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Definitive bearer securities in respect of holdings of the Securities ("**Definitive Securities**") will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the bearer global securities. While the Securities are represented by a global bearer security, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a global bearer security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any global bearer security.

Holders of beneficial interests in a global bearer security will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

The Securities have a minimum denomination of €50,000

As the Securities have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Securities may be traded in amounts in excess of €50,000 (or its equivalent) that are not integral multiples of €50,000 (or its equivalent). In such case a Holder

who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Security in respect of such holding (should Definitive Securities be printed) and would need to purchase a principal amount of Securities such that its holding amounts to the minimum denomination.

Credit rating

The Securities have been assigned a rating of BBB+ by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and A3 by Moody's Investors Service Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Securities.

In addition, if the Issuer has received confirmation (a Rating Event) from one or more rating agencies which has assigned a sponsored rating to the Issuer that the Securities will no longer be eligible for the same or higher category of equity credit (as defined by such rating agency) as attributed to the Securities at the Issue Date, the Issuer may in its discretion redeem the Securities or it may, without the consent of the Holders, modify the Conditions in order that such Rating Event ceases to exist.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, 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 person within its jurisdiction to, or collected by such person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States (including the Netherlands Antilles), have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. For so long as any Security is outstanding, the Issuer undertakes to maintain a paying agent in a Member State of the European Union that does not impose an obligation to withhold or deduct tax pursuant to this Directive. Investors who are in any doubt as to their position should consult their professional advisers.

Overview

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuer:	Alliander N.V.
The Securities:	€500,000,000 Fixed-to-Floating Rate Perpetual Capital Securities
Issuing and Principal Paying Agent:	Citibank N.A., London Branch
Paying Agent:	Citibank International PLC
Issue Price:	99.495 per cent.
Form of Securities, Initial Delivery of Securities and Clearing Systems:	The Securities will initially be represented by a Temporary Global Security, without interest coupons, which will be deposited with a common depository on behalf of the Clearstream, Luxembourg and Euroclear systems on or about 11 November 2010. The Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons, on or after a date which is expected to be 21 December 2010, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of €50,000 and integral multiples of €1,000 in excess thereof in the limited circumstances set out in it. No definitive Securities will be issued with a denomination above €99,000. Also see " <i>Summary of Provisions relating to the Securities while in Global Form</i> ".
No fixed maturity:	The Securities are perpetual securities in respect of which there is no fixed redemption date.
Denominations:	€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. Also see "Form of Securities, Initial Delivery of Securities and Clearing Systems" above.
Status of the Securities:	The Securities will constitute subordinated obligations of the Issuer as described in " <i>Terms and Conditions of the Securities — Status and Subordination</i> ". Also see " <i>Terms and Conditions of the Securities — Winding-up</i> ".
Interest/Step-up:	From (and including) 11 November 2010 until (but excluding) 11 November 2015, the Securities will bear interest at a rate of 4.875 per cent. per annum, payable annually in arrear on 24 June of each year, starting on 24 June 2011 in respect of a short first coupon and on 11 November 2015. Thereafter, unless previously redeemed, the Securities, from (and including) 11 November 2015 to (but excluding) 11 November 2020 will bear interest at a rate per annum which shall be 2.90 per cent. above the 5 year Swap Rate determined two Business Days prior to the beginning of the Second Fixed Rate Period

(as defined in the Terms and Conditions of the Securities), payable annually in arrear on 24 June of each year and on 11 November 2020, and from (and including) 11 November 2020 to (but excluding) the date on which they are redeemed will bear interest at the Euro Interbank offered rate for one year Euro deposits, plus a margin of 3.90 per cent., payable annually in arrear on 24 June of each year.

Interest Deferral and payment of Arrears of Interest:

The Issuer may at its discretion and upon giving notice elect to defer payment of interest on the Securities (subject to limited exceptions), see "*Terms and Conditions of the Securities - Deferral of Interest*".

Any amounts so deferred shall constitute Arrears of Interest. Arrears of Interest shall bear interest at the rate applicable to the Securities. The Issuer may upon giving notice pay outstanding Arrears of Interest, in whole or in part, at any time. The Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first to occur of the following dates:

(i) the Coupon Payment Date contemporaneous with or immediately following a Mandatory Payment Event (as defined in the Terms and Conditions of the Securities); or

(ii) the date on which the Securities are redeemed (in whole, but not in part) in accordance with Condition 3 (*Winding-up*), Condition 6(b) (*Optional Redemption by the Issuer*), Condition 6(c) (*Redemption for Taxation Reasons*), Condition 6(d) (*Redemption for Accounting Reasons*) or Condition 6(e) (*Redemption for Rating Reasons*) all as described in "*Terms and Conditions of the Securities — Deferral of Interest*".

Redemption:

The Securities are perpetual securities in respect of which there is no fixed redemption date.

Optional Redemption:

The Securities may be redeemed at the option of the Issuer, including, without limitation, for tax, accounting and rating reasons and upon exercise of the Clean-up Call, see "*Terms and Conditions of the Securities — Redemption and Purchase*" for more detail on the terms applicable to such redemption including the basis for calculating the redemption amounts payable.

Replacement Intention:

The Issuer intends that, to the extent that the Securities provide the Issuer with equity credit for rating purposes immediately prior to redemption, it will repay the principal amount of the Securities upon such redemption with the net proceeds received by the Issuer or any of the Issuer's Subsidiaries from the sale or issuance, during the 360-day period prior to the date of redemption, by it or any Subsidiary to third-party purchasers, other than a Group entity, of securities for which the Issuer will receive equity credit for rating purposes, at the time of sale or issuance, that is equal to or greater than the

equity credit for rating purposes attributed to the Securities at the time of their issuance.

Replacement Capital Covenant:

At or around the time of issuance of the Securities, the Issuer will enter into a replacement capital covenant (RCC) for the benefit of holders, from time to time, of designated series of long-term indebtedness, as described on pages 61 and 62. This places certain restrictions on the Issuer's right to redeem the Securities after 11 November 2015, notwithstanding the Terms and Conditions set out in this Prospectus.

As described on pages 61 and 62, the RCC provides that, subject to certain exceptions, the Issuer (by itself or through its subsidiaries) may not repay, redeem or repurchase any Securities between 12 November 2015 and the termination of the RCC (in any event on 12 November 2035 or earlier, subject to certain conditions), unless a certain amount of a certain class of qualifying financing instruments replaces the Securities repaid, redeemed or repurchased.

Withholding Tax and Additional Amounts:

All payments of principal and interest in respect of the Securities will be made free and clear of withholding taxes of The Netherlands subject to customary exceptions, all as described in "*Terms and Conditions of the Securities — Taxation*".

Governing Law:

Dutch law.

Ratings:

The Securities will on issue be rated BBB+ by Standard & Poor's and A3 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and Admission to Trading:

Application has been made to list the Securities on Euronext Amsterdam.

Selling Restrictions:

The United States and the United Kingdom, see "*Subscription and Sale*".

The Issuer is Category 1 for the purposes of Regulation S under the U.S. Securities Act of 1933, as amended.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities. These include various risks relating to the Issuer's business. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities. These include the fact that the Securities may not be a suitable investment for all investors and certain market risks, see "*Risk Factors*".

Use of Proceeds:

The net proceeds of the issue of the Securities, expected to amount to approximately €493,725,000 (excluding expenses), will be applied by the Issuer for its general corporate purposes.

ISIN: XS0558238043

Common Code: 055823804

WKN: A1A3JN

Documents Incorporated by Reference

The following parts of the documents listed below, which have previously been published and filed with the AFM, shall be incorporated in and form part of this Prospectus:

1. the following sections of the annual report of the Issuer for the financial year ended 31 December 2009 (English version):
 - audited consolidated annual financial statements (pages 100-104)
 - notes to the audited consolidated annual financial statements (pages 105-108)
 - auditor's report (page 166);
2. the following sections of the annual report of the Issuer (then known as n.v. Nuon) for the financial year ended 31 December 2008 (English version):
 - audited consolidated annual financial statements (pages 86-90)
 - notes to the audited consolidated annual financial statements (pages 91-150)
 - auditor's report (page 158); and
3. the Issuer's half-year report containing its unaudited results for the half-year ended 30 June 2010.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and from www.alliander.com.

Terms and Conditions of the Securities

The following is the text of the Terms and Conditions of the Securities which (subject to completion and amendment) will be endorsed on each Security in definitive form:

The €500,000,000 Fixed-to-Floating Rate Perpetual Capital Securities (the "**Securities**", which expression includes any further securities issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) of Alliander N.V. (the "**Issuer**") are the subject of an issue and paying agency agreement dated 11 November 2010 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank N.A., London Branch as issuing agent, principal paying agent (the "**Agent**", which expression includes any successor agent appointed from time to time in connection with the Securities) and as calculation agent (in such capacity the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Securities) and the other paying agent named therein (together with the Agent, the "**Paying Agents**", which expression includes any successor or additional Paying Agents appointed from time to time in connection with the Securities). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Securities (the "**Securityholders**" or "**Holders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Holders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Agent and of the other Paying Agent, the initial Specified Offices of which are Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom and Hoge Mosten 2, 4822 NH Breda, The Netherlands, respectively.

1. FORM, DENOMINATION AND TITLE

(a) *Form and Denomination*

The Securities are serially numbered and in bearer form in the denominations of €50,000 and integral multiples of €1,000 in excess thereof up to (and including) €99,000, each with Coupons attached at the time of issue. No definitive Securities will be issued with a denomination above €99,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

(b) *Transfer and Title*

Title to the Securities and Coupons will pass by delivery. The holder of any Security or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon, or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2. STATUS AND SUBORDINATION

This Condition 2 (*Status and Subordination*) is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors referred to in paragraph (iii) of Condition 3 (*Winding-up*) and each such creditor may rely on and enforce this Condition 2 (*Status and Subordination*) under Section 6:253 of the Dutch Civil Code.

(a) *Status*

The Securities, together with interest accrued thereon, including any Arrears of Interest, constitute direct, unsecured and subordinated obligations of the Issuer which will at all times rank pari passu without any preference among themselves.

(b) *Subordination*

The rights and claims of the Holders and Couponholders against the Issuer under the Securities in respect of the principal amounts due and payable on redemption and any Arrears of Interest and any other sum payable in respect of or arising under the Securities are subordinated on a Winding-up in accordance with the provisions of Condition 3 (*Winding-up*), save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Set-off*

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons, whether arising prior to or after any Winding-up, and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off.

3. **WINDING-UP**

The rights of the Holders and Couponholders will be subordinated in right of payment in the event of a Winding-up of the Issuer, and will rank:

- (i) in priority to any distributions in respect of any ordinary shares in the capital of the Issuer;
- (ii) pari passu with the holders of preference shares (if any) from time to time issued or which may be issued by the Issuer ; and
- (iii) junior to the claims of all unsubordinated creditors, present and future, of the Issuer and to all subordinated creditors of the Issuer other than those whose claims (whether only in the event of a Winding-up of the Issuer or otherwise) rank pari passu with or junior to the claims of the Holders of the Securities,

so that in the event of a Winding-up amounts due and payable in respect of the Securities shall be paid by the Issuer only after all of the creditors of the Issuer referred to in paragraph (iii) in this Condition 3 (*Winding-up*) have been reimbursed or paid in full and the Holders irrevocably waive their right to be treated equally with all such creditors of the Issuer in such circumstances.

The Issuer does not currently have any preference shares outstanding and does not currently have any plans to create any preference shares.

4. **DEFERRAL OF INTEREST**

(a) *Deferral of Payments*

- (i) The Issuer may, if it so elects and in its sole discretion but subject to Condition 4(b) (*Compulsory Payments*), by giving not less than 10 Business Days' notice prior to the relevant Deferred Coupon Satisfaction Date to the Holders in accordance with Condition 16 (*Notices*) and to the Agent and the Calculation Agent (which notices shall be irrevocable), defer all or part of any Payment (including in relation to any Payment previously deferred) that is due on such date in respect of the Securities.

- (ii) Any such deferral shall not constitute a default by the Issuer for any purpose. Any interest not paid on a Coupon Payment Date shall remain due and shall (except to the extent such interest shall subsequently have been paid) constitute "**Arrears of Interest**", which, at the option of the Issuer (but subject as described in Condition 4(b) (*Compulsory Payments*)), may be paid by the Issuer (in whole but not in part) at any time by giving not less than 10 Business Days' notice prior to the relevant Deferred Coupon Payment Date to the Holders in accordance with Condition 16 (*Notices*) and to the Agent and the Calculation Agent (which notices shall be irrevocable) informing them of its election to so satisfy such Payment and specifying the relevant Deferred Coupon Satisfaction Date.
- (iii) In addition, each amount of Arrears of Interest shall itself bear interest from, and including, the date on which (but for such deferral) the Arrears of Interest would otherwise have been due to be paid to, but excluding, the relevant date of payment of that Arrears of Interest as if it were principal of the Securities, at the same rate of interest from time to time as is applicable to the Securities. Any reference in these Conditions to Arrears of Interest shall be deemed to include interest accrued on Arrears of Interest.

(b) *Compulsory Payments*

- (i) The Issuer will be required to make payment of the full amount of interest payable on a Coupon Payment Date on the Securities if in the 6 months immediately prior to such Coupon Payment Date a Mandatory Payment Event has occurred, upon which event any notice as referred to in Condition 4(a)(i) shall have no force or effect.
- (ii) The Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first to occur of the following dates:
 - (A) the Coupon Payment Date contemporaneous with or immediately following a Mandatory Payment Event; or
 - (B) the date on which the Securities are redeemed (in whole, but not in part) in accordance with Condition 3 (*Winding-up*), Condition 6(b) (*Optional Redemption by the Issuer*), Condition 6(c) (*Redemption for Taxation Reasons*), Condition 6(d) (*Redemption for Accounting Reasons*) or Condition 6(e) (*Redemption for Rating Reasons*).

5. COUPON PAYMENTS

(a) *Coupon Payment Dates*

The Securities bear interest from, and including, the Issue Date (subject to Condition 4(a) (*Deferral of Payments*)), payable annually in arrear on each Coupon Payment Date. Each Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it will continue to bear interest at the prevailing Coupon Rate in accordance with this Condition (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due and payable in respect of such Security up to that day are received by or on behalf of the relevant Holder and (b) the day which is seven days after the Agent has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is any subsequent default in payment).

(b) *Coupon Rate*

(A) Fixed Rate Periods

- (i) The Coupon Rate payable from time to time in respect of the Securities for the First Fixed Rate Period (the "**First Fixed Coupon Rate**") will be 4.875 per cent. per annum.
- (ii) The Coupon Rate payable from time to time in respect of the Securities for the Second Fixed Rate Period (the "**Second Fixed Coupon Rate**") shall be the rate calculated by the Calculation Agent to be the aggregate of (1) the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count fraction basis (as construed in accordance with the ISDA Definitions)) of a fixed-for-floating Euro interest rate swap transaction which has a term equal to a period of 5 years from, and including, the First Call Date and which is in an amount equal to the principal amount of the Securities then outstanding that is representative of a single transaction in the swap market two business days prior to the beginning of the Second Fixed Rate Period with an acknowledged dealer of good credit in the swap market, and where the floating leg, calculated on an Actual/360 day count basis (as construed in accordance with the ISDA Definitions) is for a period of 6 months and which appears on Reuters screen (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 rates) (the "**Reset Screen Page**") designated "ISDAFIX2" under the heading "EURIBOR BASIS" and above caption "11:00 AM Frankfurt time" (as such headings and captions may appear from time to time) as of 11:00 a.m. (Brussels time) on the second Business Day (the "**Reset Coupon Determination Date**") prior to the beginning of the Second Fixed Rate Period (the "**5 year Swap Rate**") and (2) 2.90 per cent.

If all or any of such rates do not appear on the Reset Screen Page on the Reset Coupon Determination Date at approximately that time, the 5 year Swap Rate will be the rate calculated by the Calculation Agent to be the percentage rate determined by:

- (1) requesting the principal Euro-zone office of each of five leading swap dealers in the Euro-zone interbank market to provide a mid-market annual swap rate quotation at approximately 11.00 a.m. (Brussels time) on the Reset Coupon Determination Date. For this purpose, the "**mid-market annual swap rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count fraction basis (as construed in accordance with the ISDA Definitions), of a fixed-for-floating Euro interest rate swap transaction with a term equal to a period of 5 years from, and including, the First Call Date and which is in an amount equal to the principal amount of the Securities then outstanding that is representative of a single transaction in the swap market two business days prior to the beginning of the Second Fixed Rate Period with an acknowledged dealer of good credit in the swap market, and which where the floating leg, calculated on an Actual/360 day count fraction basis (as construed in accordance with the ISDA Definitions), is for a period of 12 months, *provided that* if at least three such quotations are provided, the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) will be eliminated; and
- (2) determining the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth, 0.000005 being rounded upwards) of such quotations.

The amount of interest payable on each Coupon Payment Date shall be calculated by applying the Coupon Rate to the Calculation Amount and multiplying the product by the fraction (the "**Day**

Count Fraction") determined on the basis of the number of days in the period from, and including, the most recent Coupon Payment Date (or, if none, the Issue Date) to, but excluding, the relevant payment date divided by the actual number of days in the period from, and including, the most recent Coupon Payment Date (or, if none, the Issue Date) to, but excluding, the next (or first) scheduled Coupon Payment Date, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Security divided by the Calculation Amount.

If an amount of interest is required to be paid in respect of a Security during the Fixed Rate Period for a period ending on a date that is not a Coupon Payment Date, such interest shall be calculated by applying the Coupon Rate to the Calculation Amount and multiplying the product by the Day Count Fraction.

(B) Floating Rate Period

The Coupon Rate applicable to the Securities for each Coupon Period from, and including, the Step-up Date (the "**Floating Coupon Rate**") will be determined by the Calculation Agent on the following basis:

- (i) the Calculation Agent will determine the rate for deposits in Euro for a period equal to the relevant Coupon Period which appears on the display page designated EURIBOR01 on Reuters (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 rates) as of 11:00 a.m. (Brussels time) on the second TARGET Settlement Day before the first day of the relevant Coupon Period (the "**Determination Date**").
- (ii) if such rate does not appear on that page, the Calculation Agent will:
 - (1) request the principal Euro zone office of each of four major banks in the Euro zone interbank market to provide a quotation of the rate at which deposits in Euro are offered by it at approximately 11:00 a.m. (Brussels time) on the Determination Date to prime banks in the Euro zone interbank market for a period equal to the relevant Coupon Period and in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro zone, selected by the Calculation Agent, at approximately 11:00 a.m. (Brussels time) on the first day of the relevant Coupon Period for loans in Euro to leading European banks for a period equal to the relevant Coupon Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Coupon Rate for such Coupon Period shall be the sum of 3.90 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Coupon Period, the Floating Coupon Rate applicable to the Securities during such Coupon Period will be the sum of 3.90 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Securities in respect of the last preceding Coupon Period for which a Coupon Rate is available.

(c) *Calculation of Floating Coupon Rate and Floating Coupon Amount*

The Calculation Agent will, as soon as practicable after the Determination Date in relation to each Coupon Period commencing on and after the Step-up Date, calculate the amount of interest (the "**Floating Coupon Amount**") payable in respect of each Security for such Coupon Period. The Floating Coupon Amount will be calculated by applying the Floating Coupon Rate for such Coupon Period to the Calculation Amount, multiplying the product by the actual number of days in such Coupon Period divided by 360, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Security divided by the Calculation Amount.

(d) *Publication of Floating Coupon Rate and Floating Coupon Amount*

The Calculation Agent will cause each Floating Coupon Rate and Floating Coupon Amount determined by it, together with the relevant Coupon Payment Date, to be notified to the Agent and the Paying Agent and each listing authority, stock exchange and/or quotation system (if any) by which the Securities have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the first day of the relevant Coupon Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any amount of interest (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Coupon Period. If the Calculation Amount is less than the minimum denomination, the Calculation Agent shall not be obliged to publish each Floating Coupon Amount but instead may publish only the Calculation Amount and the amount of interest in respect of a Security having the minimum denomination.

(e) *Notifications*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent and the Paying Agent, the Holders and the Couponholders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. REDEMPTION AND PURCHASE

(a) *No Maturity Date*

The Securities are perpetual securities and have no fixed maturity date. The Issuer shall only have the right to redeem the Securities in accordance with this Condition 6 (*Redemption and Purchase*).

(b) *Optional redemption by the Issuer*

The Securities will be redeemable at the option of the Issuer, in whole but not in part, on the First Call Date, on the Step-up Date and on any Coupon Payment Date falling after the Step-up Date at their principal amount together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Agent (all of which notices shall be irrevocable).

(c) *Redemption for Taxation Reasons*

- (i) The Issuer may redeem the Securities in whole, but not in part, upon not more than 60 days' nor less than 30 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Agent (all of which notices shall be irrevocable) by reason of a Withholding Tax Event, *provided that* such Withholding Tax Event cannot be avoided by the Issuer taking reasonable measures available to it and no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.
- (ii) The Issuer may also redeem the Securities in whole, but not in part, upon not more than 60 days' nor less than 30 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Agent (all of which notices shall be irrevocable) by reason of a Tax Deduction Event, *provided that* such Tax Deduction Event cannot be avoided by the Issuer taking reasonable measures available to it and no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which interest payments under the Securities will no longer be tax deductible by the Issuer for Dutch corporate income tax purposes.
- (iii) Upon a redemption upon the terms of (i) or (ii) above, the Issuer will redeem the Securities at (1) their Early Redemption Amount, if such redemption occurs before (but excluding) the Step-up Date or (2) if such redemption occurs after (or on) the Step-up Date, at their principal amount together with interest accrued thereon, including any Arrears of Interest, up to (but excluding) the redemption date, and together with any Additional Amounts.

(d) *Redemption for Accounting Reasons*

If, at any time, the Issuer has received an opinion from a recognised independent auditor that the Securities will no longer or may no longer be classified as "equity" in the consolidated accounts of the Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union (an "**Accounting Event**") then the Securities will be redeemable, at the option of the Issuer, in whole but not in part.

Upon such redemption, the Issuer will redeem the Securities at (1) their Early Redemption Amount, if such redemption occurs before (but excluding) the Step-up Date or (2) if such redemption occurs after (or on) the Step-up Date, at their principal amount together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, in each case upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Agent (all of which notices shall be irrevocable).

(e) *Redemption for Rating Reasons*

If, at any time, the Issuer has received confirmation from one or more rating agencies which has assigned a sponsored rating to the Issuer that the Securities will no longer be eligible for the same or higher category of equity credit (as defined by such rating agency) as attributed to the Securities at the Issue Date (a "**Rating Event**") then the Securities will be redeemable, at the option of the Issuer, in whole but not in part. For the purposes of this Condition 6(e), a "**sponsored rating**" means a rating assigned by a rating agency with whom the Issuer has a contractual relationship pursuant to which the Issuer is assigned a rating and the Securities are assigned an equity credit.

Upon such redemption, the Issuer will redeem the Securities at (1) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the Step-up Date or (2) if such redemption

occurs after (or on) the Step-up Date, at their principal amount, in each case together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, in each case upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Agent (all of which notices shall be irrevocable).

The Issuer may only exercise its option to redeem the Securities under this Condition 6(e) (*Redemption for Rating Reasons*) if it issues an instrument for which it receives, at least the same equity credit as it does in respect of the Securities from the rating agency or agencies, as the case may be, which has or have, as the case may be, assigned a sponsored rating to the Securities and which has or have, as the case may be, not reduced the eligible category of equity credit of the Securities.

(f) *Redemption following exercise of Clean-up call*

The Securities will be redeemable at the option of the Issuer, in whole but not in part on any Coupon Payment Date following the purchase by the Issuer of an aggregate principal amount of the Securities equal to or in excess of 80 per cent. of the aggregate principal amount of the Securities issued (x) on the Issue Date and (y) if any, issued pursuant to Condition 17 (*Further Issues*).

Upon such redemption, the Issuer will redeem the Securities at (1) their Early Redemption Amount, if such redemption occurs before (but excluding) the Step-up Date or (2) if such redemption occurs after (or on) the Step-up Date, at their principal amount together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, in each case upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Agent (all of which notices shall be irrevocable).

(g) *Notification of Early Redemption Amount*

The Calculation Agent will cause the Early Redemption Amount to be notified to the Issuer, the Agent, Euronext Amsterdam N.V. and the Holders in accordance with Condition 16 (*Notices*) as soon as possible after its determination.

(h) *Purchases*

The Issuer may at any time purchase Securities in the open market or otherwise and at any price. Securities purchased by the Issuer may be held, reissued, resold or, at the option of the Issuer, be surrendered to any Paying Agent for cancellation in accordance with Condition 6(i) (*Cancellation*) below. Any Securities so purchased, while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 14 (*Meeting of Securityholders and Modification*).

In the event of an early redemption or purchase of Securities on or prior to 11 November 2015, the Issuer intends, guided by but not exceeding the terms and conditions of the replacement capital covenant described below, taking effect as of the Business Day following 11 November 2015, that, to the extent that the Securities provide the Issuer with equity credit for rating purposes at the time of such redemption, it will repay the principal amount of the Securities upon such redemption with the net proceeds received by the Issuer or any of the Issuer's subsidiaries from the sale or issuance, during the 360-day period prior to the date of such redemption, by it or any Subsidiary to third party purchasers, other than a Group entity, of securities for which the Issuer will receive equity credit for rating purposes, at the time of sale or issuance, that is equal to or greater than the equity credit attributed to the Securities at the time of their issuance.

Holders are notified that at or around the time of issuance of the Securities, the Issuer will enter into a replacement capital covenant (RCC) for the benefit of holders, from time to time, of designated series of long-term indebtedness, as described on pages 61 and 62 of the Prospectus in relation to the Securities. This places certain restrictions on the Issuer's right to redeem the Securities after 11 November 2015, notwithstanding these Terms and Conditions. As described on pages 61 and 62 of the Prospectus in relation to the Securities, the RCC provides that, subject to certain exceptions, the Issuer (by itself or through its subsidiaries) may not repay, redeem or repurchase any Securities between 12 November 2015 and the termination of the RCC (in any event on 12 November 2035 or earlier, subject to certain conditions), unless a certain amount of a certain class of qualifying financing instruments replaces the Securities repaid, redeemed or repurchased.

i) *Cancellation*

Any Securities cancelled may not be reissued or resold. The obligations of the Issuer in respect of any such Securities shall be discharged.

7. MODIFICATION

In the event of a Tax Deduction Event, an Accounting Event, a Rating Event or a Withholding Tax Event, the Issuer may, as is reasonably necessary, and without the consent of the Holders (and the Holders hereby irrevocably agree in advance that the Issuer may do so without any further consent of the Holders being required), in respect of all, but not some only, of the Securities, exchange, or modify the Conditions of, the Securities so that such event no longer exists after such exchange or modification. The Issuer may combine a substitution of itself as issuer pursuant to Condition 15 (*Substitution of the Issuer*) with such exchange or modification pursuant to this Condition 7 if all provisions of this Condition 7 and Condition 15 (*Substitution of the Issuer*) are satisfied. Any such exchange or modification of the Securities is conditional upon the replacement or modified Securities having terms such that:

- (i) they are not less favourable to the Holders than the terms of the Securities prior to such exchange or modification, including the same tax treatment for the relevant Holder;
- (ii) they are, except for the modifications required to avoid such Tax Deduction Event, Accounting Event, Rating Event or Withholding Tax Event, substantially identical to the terms of the Securities (including without limitation in respect of the Coupon Rate(s), ranking at least *pari passu* with the Securities immediately prior to such exchange or modification, the date of the First Call Date and Coupon Payment Dates);
- (iii) the Issuer is in compliance with all applicable regulatory requirements;
- (iv) either (A) the person having the obligations of the Issuer under the Securities continues to be the Issuer or (B) such person is another member of the Group and such obligations are guaranteed by the Issuer, such that investors have the same material rights and claims as provided under the Securities; and
- (v) the replacement or modified Securities continue to be listed on an internationally recognised stock exchange as selected by the Issuer (*provided that* the Securities immediately prior to such exchange or modification were so listed prior to the occurrence of the Tax Deduction Event, Accounting Event, Rating Event or Withholding Tax Event).

The Conditions of the Securities may only be modified if (i) all accrued interest on the relevant Coupon Payment Date has been paid in full, including any Arrears of Interest and Additional Amounts (if any), and (ii) the exchange or modification does not itself give rise to (a) any

detrimental change in any published rating of the Securities or of the Issuer in effect at such time or (b) a Tax Deduction Event, an Accounting Event, a Rating Event or a Withholding Tax Event. The Issuer shall as soon as practicable give notice of such modification in accordance with Condition 16 (*Notices*).

8. PAYMENTS

(a) *Principal*

Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Securities at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.

(b) *Interest*

Payments of interest shall, subject to paragraphs (d) (*Deduction for unmatured Coupons relating to the Fixed Rate Period*) and (e) (*Unmatured Coupons relating to the Floating Rate Period*) below, be made only against presentation and, provided that payment is made in full, surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (Principal) above.

(c) *Payments subject to fiscal laws*

All payments in respect of the Securities are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

(d) *Deduction for unmatured Coupons relating to the Fixed Rate Period*

If a Security is presented in respect of the Fixed Rate Period without all unmatured Coupons relating thereto, then:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

(e) *Unmatured Coupons relating to the Floating Rate Period*

Upon the due date for redemption of any Security, unmatured Coupons relating to such Security in respect of the Floating Rate Period (whether or not attached) shall become void and no payment shall be made in respect thereof.

(f) *Payments on business days*

If the due date for payment of any amount in respect of any Security or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.

(g) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Security or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(h) *Exchange of Talons*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Securities, the talon forming part of such coupon sheet may be exchanged at the Specified Office of the Agent for a further coupon sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void). Upon the due date for redemption of any Security, any unexchanged talon relating to such Security shall become void and no Coupon will be delivered in respect of such talon.

9. ENFORCEMENT EVENTS

- (i) If any of the following events (each an "**Enforcement Event**") occurs:

(a) *Non-payment*

Subject to Condition 4(a) (*Deferral of Payments*), default is made in the payment of any amount in respect of the Securities on the due date for payment thereof within 14 days after the date upon which such amount became due; or

(b) *Winding-up*

An order is made or an effective resolution is passed for the Winding-up of the Issuer (except in the case of a winding-up for the purpose of a merger, reconstruction or amalgamation the terms of which have previously been approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Holders),

then, in the case of paragraph (a) (*Non-payment*), the Holder of such Security may, at its discretion and, subject to any applicable laws, without further notice, institute proceedings for the Winding-up of the Issuer in The Netherlands (but not elsewhere) and/or prove in any Winding-up of the Issuer, but may take no other action in respect of such default and, in the case of paragraph (b) (*Winding-up*), the Securities will immediately become due and repayable at their principal amount together with accrued interest and any Arrears of Interest and/or prove in the Winding-up of the Issuer, subject always to the ranking provided in Condition 2 (*Status and Subordination*).

Except as provided in this Condition 9 (*Enforcement Events*), a Holder shall otherwise have no right to accelerate payment of any Security in the case of an Enforcement Event.

- (ii) Subject as provided in this Condition 9 (*Enforcement Events*), any Holder may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Agency Agreement or the Securities *provided that* the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

10. TAXATION

All payments of principal, interest, Arrears of Interest and Additional Amounts in respect of the Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Netherlands or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Security or Coupon presented for payment:

- (a) by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security or Coupon by reason of its having some connection with The Netherlands other than the mere holding of the Security or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or
- (c) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Security or Coupon to another Paying Agent in a member state of the European Union; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder of such Security or Coupon would have been entitled to such additional amounts on presenting such Security or Coupon for payment on the last day of such period of 30 days; or

- (e) by or on behalf of a Holder who would not be liable or subject to such withholding or deduction if it were to comply with a statutory requirement or to make a declaration of non-residence or other similar claim for exemption and fails to do so.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal or interest shall be deemed to include (i) any Arrears of Interest and (ii) any Additional Amounts in respect of principal, interest or Arrears of Interest (as the case may be) which may be payable under this Condition 10 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than The Netherlands, references in these Conditions to The Netherlands shall be construed as references to The Netherlands and/or such other jurisdiction.

11. PRESCRIPTION

Claims for principal, interest, Arrears of Interest and Additional Amounts on redemption shall become void unless Securities or Coupons are surrendered for payment within five years of the appropriate relevant due date.

12. REPLACEMENT OF SECURITIES AND COUPONS

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Securities and Coupons must be surrendered before replacements will be issued.

13. AGENTS

In acting under the Agency Agreement and in connection with the Securities, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor issuing agent, principal paying agent, paying agent or calculation agent and additional or successor paying agents; *provided, however, that* the Issuer shall (a) at all times maintain an issuing agent, a principal paying agent and a calculation agent, (b) at all times maintain a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive and (c) for so long as the Securities are listed on Euronext Amsterdam, or any other stock exchange or regulated securities market and the rules of such exchange or securities market so require, a paying agent having a specified office in such location as the rules of such exchange or securities market may require.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Securityholders.

All calculations and determinations made by the Calculation Agent or the Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Paying Agents and the Holders.

None of the Issuer and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

14. MEETINGS OF SECURITYHOLDERS AND MODIFICATION

(a) *Meeting of Securityholders*

The Agency Agreement contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened upon the request in writing of Securityholders holding not less than ten per cent. of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more persons being or representing Securityholders whatever the principal amount of the Securities held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Securities, to reduce the amount of principal or interest payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more persons holding or representing not less than two thirds or, at any adjourned meeting, one third of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Securityholders who for the time being are entitled to receive notice of a meeting of Securityholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

(b) *Modification*

The Securities and these Conditions may be amended without the consent of the Securityholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Securityholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Securityholders.

15. SUBSTITUTION OF THE ISSUER

- (a) The Issuer may, and the Holders hereby irrevocably agree in advance that the Issuer may without any further consent of the Holders being required, when no payment of principal or interest on any of the Securities is in default, be replaced and substituted by any directly or indirectly wholly owned subsidiary of the Issuer (the "**Substituted Debtor**") as principal debtor in respect of the Securities provided that:

- (i) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (together the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Holder to be bound by the Terms and Conditions of the Securities and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Securities and the Agency Agreement as the principal debtor in respect of the Securities in place of the Issuer and pursuant to which the Issuer shall guarantee, which guarantee shall be unconditional and irrevocable (the "**Guarantee**"), in favour of each Holder the payment of all sums payable (including any Additional Amounts payable pursuant to Condition 9 (*Taxation*)) in respect of the Securities;
- (ii) where the Substituted Debtor is incorporated, domiciled or resident for taxation purposes in a territory other than The Netherlands, the Documents shall contain a covenant and/or such other provisions as may be necessary to ensure that each Holder has the benefit of a covenant in terms corresponding to the provisions of Condition 9 (*Taxation*) with the substitution for the references to The Netherlands of references to the territory in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes. The Documents shall also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Holder against all liabilities, costs, charges and expenses (provided that insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective) which may be incurred by or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Holder by any political sub-division or taxing authority of any country in which such Holder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
- (iii) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (a) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and the performance of its obligations under the Documents, and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all valid and binding in accordance with their respective terms and enforceable by each Holder;
- (iv) each stock exchange which has Securities listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor the Securities would continue to be listed on such stock exchange;
- (v) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of local lawyers acting for the Substituted Debtor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Holders at the specified office of the Fiscal Agent;
- (vi) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from the internal legal adviser to the Issuer to the effect that the Documents (including the Guarantee) constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than three days prior to the date of substitution of

the Substituted Debtor for the Issuer and to be available for inspection by Holders at the specified office of the Fiscal Agent; and

- (vii) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Dutch lawyers to the effect that the Documents (including the Guarantee) constitute legal, valid and binding obligations of the Substituted Debtor and the Issuer under Dutch law, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Holders at the specified office of the Fiscal Agent.
- (b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Holder, except as provided in Condition 15(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Securities any indemnification or payment in respect of any tax or other consequences arising from such substitution,
- (c) In respect of any substitution pursuant to this Condition in respect of the Securities, the Documents referred to in Condition 15(a) above shall provide for such further amendment of the Terms and Conditions of the Securities as shall be necessary or desirable to ensure that the Securities constitute subordinated obligations of the Substituted Debtor, subordinated to no greater than the same extent as the Issuer's obligations prior to its substitution to make payments of principal in respect of the Securities under Condition 2 (*Status and Subordination*), such that the Substituted Debtor will only be obliged to make payments of principal in respect of the Securities to the extent that the Issuer would have been so obliged under Condition 2 (*Status and Subordination*) of the Terms and Conditions had it remained as principal obligor under the Securities.
- (d) With respect to the Securities, the Issuer shall be entitled, by notice to the Holders given in accordance with Condition 16 (*Notices*), at any time to effect a substitution which does not comply with paragraph (c) above provided that the terms of such substitution have been approved by an Extraordinary Resolution of the Holders or to waive all and any rights to effect a substitution of the principal debtor pursuant to this Condition. Any such notice of waiver shall be irrevocable.
- (e) Upon the execution of the Documents as referred to in paragraph (a) above, and subject to the notice as referred to in paragraph (g) below having been given, the Substituted Debtor shall be deemed to be named in the Securities as the principal debtor in place of the Issuer and the Securities shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Securities save that any claims under the Securities prior to release shall enure for the benefit of Holders.
- (f) The Documents shall be deposited with and held by the Fiscal Agent for so long as any Securities remain outstanding and for so long as any claim made against the Substituted Debtor by any Holder in relation to the Securities or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Holder to the production of the Documents for the enforcement of any of the Securities or the Documents.
- (g) Not later than 15 days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Holders in accordance with Condition 16 (*Notices*).

16. NOTICES

Notices to Holders shall be given by publication in the English language in a daily newspaper having general circulation in The Netherlands (which is expected to be *Het Financieele Dagblad*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have been given notice of the contents of any notice given to Holders.

17. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders or the Couponholders, create and issue further Securities having the same terms and conditions in all respects (or in all respects except for the first payment of interest) and so as to form a single series with the Securities.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (a) The Agency Agreement, these Terms and Conditions, the Securities and the Coupons are governed by, and shall be construed in accordance with, the laws of The Netherlands.
- (b) The Issuer submits for the exclusive benefit of the Holders and the Couponholders to the jurisdiction of the court of first instance (*rechtbank*) of Amsterdam, The Netherlands, judging in first instance, and its appellate courts. Without prejudice to the foregoing, the Issuer further irrevocably agrees that any suit, action, proceedings or disputes which may arise out of or in connection with the Agency Agreement and the Securities and any non-contractual obligations arising out of or in connection therewith may be brought in any other court of competent jurisdiction.

19. DEFINITIONS

In these Terms and Conditions:

"**5 year Swap Rate**" has the meaning ascribed to it in Condition 5(b) (*Coupon Rate*);

"**Accounting Event**" has the meaning ascribed to it in Condition 6(d) (*Redemption for Accounting Reasons*);

"**Additional Amounts**" has the meaning ascribed thereto in Condition 10 (*Taxation*);

"**Adjusted Comparable Yield**" means the yield on the second TARGET Settlement Day on the euro benchmark security selected by the Calculation Agent, after consultation with the Issuer, as having a maturity comparable to the remaining term of the Securities to the First Call Date or, as applicable, the Step-up Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the First Call Date or, as applicable, the Step-up Date;

"**Agency Agreement**" has the meaning ascribed to it in the preamble;

"**Agent**" has the meaning ascribed to it in the preamble;

"**Arrears of Interest**" means any amounts deferred in accordance with Condition 4(a) (*Deferral of Payments*);

"Business Day" means a day, other than a Saturday or Sunday, which is a TARGET Settlement Day and on which commercial banks and foreign exchange markets are open for general business in Amsterdam;

"Calculation Agent" means Citibank N.A., London Branch as calculation agent in relation to the Securities, or its successor or successors for the time being appointed under the Agency Agreement;

"Calculation Amount" means €1,000;

"Condition" means any of the numbered paragraphs of these Conditions of the Securities;

"Coupons" has the meaning ascribed to it in the preamble;

"Couponholder" has the meaning ascribed to it in the preamble;

"Coupon Amount" means the amount of interest payable on a Security for the relevant Coupon Period in accordance with Condition 5 (*Coupon Payments*) and for the purposes of Conditions 6(c) (*Redemption for Taxation Reasons*), 6(d) (*Redemption for Accounting Reasons*), 6(e) (*Redemption for Rating Reasons*) and 6(g) (*Notification of Early Redemption Amount*) any interest accrued from (and including) the preceding Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the due date for redemption if not a Coupon Payment Date as provided for in Condition 5 (*Coupon Payments*), and such term includes Floating Coupon Amounts;

"Coupon Payment Date" means each of (i) 24 June in each year, commencing 24 June 2011, (ii) the First Call Date and (iii) the Step-up Date, *provided that* if any Coupon Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next Business Day unless it would then fall into the next calendar month in which event the Coupon Payment Date shall be brought forward to the immediately preceding Business Day;

"Coupon Period" means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period commencing on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date or the date of redemption, as the case may be;

"Coupon Rate" means the First Fixed Coupon Rate, the Second Fixed Coupon Rate or the Floating Coupon Rate, as the case may be;

"Day Count Fraction" has the meaning ascribed to it in Condition 5(b) (*Coupon Rate*);

"Deferred Coupon Payment" means any Arrears of Interest which pursuant to Condition 4(a) (*Deferral of Payments*) the Issuer has elected to defer and which have not been satisfied;

"Deferred Coupon Payment Date" means:

- (i) the date on which the Issuer voluntarily satisfies a Deferred Coupon Payment, as notified by the Issuer to the Holders, the Agent and the Calculation Agent in accordance with Condition 4(a) (*Deferral of Payments*); or
- (ii) the date on which the Issuer is required to satisfy all Deferred Coupon Payments pursuant to Condition 4(b) (*Compulsory Payments*);

"Determination Date" has the meaning ascribed to it in Condition 5(b)(B) (*Floating Rate Periods*);

"Early Redemption Amount" means the greater of the principal amount of the Securities and the Make Whole Redemption Amount of the Securities plus, in each case, any Arrears of Interest and Additional Amount (if any) and interest accrued to but excluding the date of redemption;

"Enforcement Event" has the meaning ascribed to it in Condition 9 (*Enforcement Events*);

"First Call Date" means 11 November 2015;

"First Fixed Coupon Rate" has the meaning ascribed to it in Condition 5(b)(A) (*Fixed Rate Periods*);

"First Fixed Rate Period" means the period from (and including) the Issue Date to (but excluding) the First Call Date;

"Fixed Coupon Rate" means, during the First Fixed Rate Period, the First Fixed Coupon Rate and, during the Second Fixed Rate Period, the Second Fixed Coupon Rate;

"Floating Coupon Amounts" has the meaning ascribed to it in Condition 5(c) (*Calculation of Floating Coupon Rate and Floating Coupon Amount*);

"Floating Coupon Rate" has the meaning ascribed to it in Condition 5(b)(B) (*Floating Rate Period*);

"Floating Rate Period" means the period from (and including) the Step-up Date;

"Group" means the Issuer and its Subsidiaries from time to time;

"Holder" has the meaning ascribed to it in the preamble;

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. (as amended and updated as at the Issue Date);

"Issue Date" means 11 November 2010;

"Issuer" means Alliander N.V.;

"Make Whole Redemption Amount" means the sum, determined by the Calculation Agent on the second TARGET Settlement Day prior to the redemption date, of the Present Values of (i) the principal amount of the Securities and (ii) the remaining scheduled payments of interest on the Securities to, but excluding, the First Call Date or, in the event that such redemption occurs on or after the First Call Date but before the Step-up Date, the Step-up Date. In performing such calculation it shall be assumed that the principal amount of the Securities is a cash flow due on the First Call Date or, as applicable, the Step-up Date and that all applicable interest payments are to be made in full;

"Mandatory Payment Event" means:

- (i) if the Issuer declares, resolves on, pays or distributes a dividend or makes a payment (other than a dividend in the form of ordinary shares) on any of its ordinary shares;
- (ii) if the Issuer declares, pays or distributes a dividend or makes a payment on any Parity Securities, except where such dividend or payment was not discretionary under the terms of such Parity Securities;

- (iii) if the Issuer redeems, repurchases or otherwise acquires any of its ordinary shares (other than (a) in connection with any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (b) as a result of the exchange or conversion of one class or series of capital stock for another class or series of capital stock or (c) as a result of any equity swap or asset swap or similar arrangement concluded by the Issuer with a third party); or
- (iv) if the Issuer redeems, repurchases or otherwise acquires any Parity Securities, except for (a) redemption of Parity Securities on their scheduled maturity date, or (b) a conversion into or exchange for ordinary shares of the Issuer, or (c) if the Issuer offers to repurchase or otherwise acquire the Securities and Parity Securities in whole or in part in a public offer where the amounts of the Securities and Parity Securities repurchased or acquired are in proportion to their principal amounts then outstanding.

"**Parity Securities**" means any security issued by the Issuer which ranks *pari passu* with the Securities, and any security guaranteed by the Issuer where the Issuer's obligations under the relevant guarantee rank *pari passu* with the Issuer's obligations under the Securities.

"**Paying Agents**" has the meaning ascribed to it in the preamble;

"**Payment**" means any Coupon Payment or Deferred Coupon Payment;

"**Present Values**" means the values calculated by the Calculation Agent by discounting (i) the principal amount of the Securities and (ii) the remaining scheduled payments of interest on the Securities to the First Call Date or, as applicable, the Step-up Date, using the Adjusted Comparable Yield plus one per cent. If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the actual number of calendar days in the relevant period divided by the actual number of calendar days in the relevant year (365 or 366);

"**Rating Event**" has the meaning ascribed to it in Condition 6(e) (*Redemption for Rating Reasons*);

"**Relevant Date**" has the meaning ascribed to it in Condition 10 (*Taxation*);

"**Second Fixed Coupon Rate**" has the meaning ascribed to it in Condition 5(b)(A) (*Fixed Rate Periods*);

"**Second Fixed Rate Period**" means the period from (and including) the First Call Date to (but excluding) the Step-up Date;

"**Securities**" means the €500,000,000 Fixed-to-Floating Rate Perpetual Capital Securities (which do not constitute equity (*eigen vermogen*) according to Dutch civil law) and such expression shall include, unless the context otherwise requires, any further Securities issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Securities, and "**Security**" means any of the Securities;

"**Securityholder**" has the meaning ascribed to it in the preamble;

"**Step-up Date**" means 11 November 2020;

"**Subsidiary**" means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;

- (b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro;

"TARGET System" means the TARGET2 system;

"Tax Deduction Event" means that the Issuer has obtained an opinion in writing from a reputable firm of lawyers of good standing to the effect that interest payments under the Securities were, but are or will no longer be, tax-deductible by the Issuer for Dutch corporate income tax purposes by reason of:

- (i) any actual or proposed change in or amendment to the laws, regulations or rulings of The Netherlands or any political subdivision or taxing authority thereof or therein; or
- (ii) any actual or proposed change in the official application or interpretation of such laws, regulations or rulings; or
- (iii) any action which shall have been taken by any taxing authority or any court of competent jurisdiction of The Netherlands or any political subdivision or taxing authority thereof or therein, whether or not such action was taken or brought with respect to the Issuer,

which change, amendment or execution becomes effective, taking of action occurs, or proposal is made, on or after the Issue Date;

"Winding-up" means a situation where or the event that (i) an order is made or a decree or resolution is passed for the winding-up, liquidation or dissolution of the Issuer, or (ii) a trustee (*curator*) is appointed by the competent District Court in The Netherlands in the event of bankruptcy (*faillissement*) affecting the whole or a substantial part of the undertaking or assets of the Issuer and such appointment is not discharged within 30 days; and

"Withholding Tax Event" means that the Issuer has obtained an opinion in writing from a reputable firm of lawyers of good standing to the effect that the Issuer would be required to pay Additional Amounts upon the next due date for a payment in respect of the Securities by reason of:

- (i) any actual or proposed change in or amendment to the laws, regulations or rulings of The Netherlands or any political subdivision or taxing authority thereof or therein; or
- (ii) any actual or proposed change in the official application or interpretation of such laws, regulations or rulings; or

- (iii) any action which shall have been taken by any taxing authority or any court of competent jurisdiction of The Netherlands or any political subdivision or taxing authority thereof or therein, whether or not such action was taken or brought with respect to the Issuer,

which change, amendment or execution becomes effective, taking of action occurs, or proposal is made, on or after the Issue Date.

Summary of Provisions relating to the Securities while in Global Form

The Permanent Global Security contains provisions which apply to the Securities while they are in global form, some of which modify the effect of the terms and conditions of the Securities set out in this Prospectus. The following is a summary of certain of those provisions:

1 Exchange

The Temporary Global Security is exchangeable in whole or in part for interests in the Permanent Global Security on or after a date which is expected to be 21 December 2010, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. The Permanent Global Security is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Securities described below (i) if the Permanent Global Security is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) if principal in respect of any Securities is not paid when due and payable. Thereupon, the holder may give notice to the Agent of its intention to exchange the Permanent Global Security for Definitive Securities on or after the Exchange Date specified in the notice.

If principal in respect of any Securities is not paid when due and payable the holder of the Permanent Global Security may, by notice to the Agent (which may but need not be the default notice referred to in paragraph 6 ("*Default*") below), require the exchange of a specified principal amount of the Permanent Global Security (which may be equal to or (provided that, if the Permanent Global Security is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Securities represented thereby but never less than the minimum denomination of the Securities) for Definitive Securities on or after the Exchange Date (as defined below) specified in such notice.

On or after any Exchange Date the holder of the Permanent Global Security may surrender the Permanent Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Agent. In exchange for the Permanent Global Security, or on endorsement in respect of the part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Securities (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Security), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 3 to the Agency Agreement. On exchange in full of the Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Securities.

"Exchange Date" means a day falling not less than 60 days or, in the case of exchange pursuant to (ii) above, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

2 Payments

No payment will be made on the Temporary Global Security unless exchange for an interest in the Permanent Global Security is improperly withheld or refused. Payments of principal, premium and interest in respect of Securities represented by the Permanent Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Permanent Global Security to or to the order of the Agent or such other Paying

Agent as shall have been notified to the Securityholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Security, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Securities.

3 Notices

So long as the Securities are represented by the Permanent Global Security and the Permanent Global Security is held on behalf of a clearing system, notices to Securityholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

4 Meetings

The holder of the Permanent Global Security shall (unless the Permanent Global Security represents only one Security) be treated as being two persons for the purposes of any quorum requirements of a meeting of Securityholders and, at any such meeting, as having one vote in respect of each €1,000 in principal amount of Securities.

5 Purchase and Cancellation

Cancellation of any Security required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Permanent Global Security.

6 Default

The Permanent Global Security provides that the holder may cause the Permanent Global Security or a portion of it to become due and payable in the circumstances described in Condition 9 (*Enforcement Events*) by stating in the notice to the Agent the principal amount of Securities which is being declared due and payable. If principal in respect of any Security is not paid when due and payable, the holder of the Permanent Global Security may elect that the Permanent Global Security becomes void as to a specified portion and that the persons entitled to such portion, as accountholders with a clearing system, acquire direct enforcement rights against the Issuer under further provisions set out in the Permanent Global Security.

Business Description of Issuer

The figures contained in this description relate solely to the consolidated figures as mentioned in the annual report 2009 of Alliander N.V.

Incorporation and shareholders

Alliander was incorporated on 17 December 1998. Alliander is registered in the Arnhem Chamber of Commerce under number 34108286. It is a limited liability corporation duly incorporated under the laws of the Netherlands and has its registered office at Utrechtseweg 68, 6812 AH Arnhem, Postbus 50, 6920 AB Duiven, The Netherlands (phone number: +31 26 844 23 28).

Alliander's Articles of Association were last amended by notarial deed executed on 25 May 2010 before Mr. G.W.C. Visser, civil law notary in Amsterdam. The drafts of these articles received the approval of the Minister of Justice, number NV1055802. Alliander was formed through the merger of energy companies in the provinces of Noord-Holland, Zuid-Holland, Gelderland, Flevoland and Friesland. Alliander's shareholders comprise almost 80 public authorities, including the Province of Gelderland (44.68%), BV Houdstermaatschappij Falcon (Province of Friesland) (12.65%), Province of Noord Holland (9.16%), Municipality of Amsterdam (9.16%). These four largest shareholders have a controlling interest of 75.65%. The shareholders do not assume any responsibility for the debts of Alliander N.V. or its subsidiaries.

Profile Alliander group

Alliander is a network company in the energy sector and owns the electricity and gas grids in about a third of the Netherlands. It has over 5,700 employees. Alliander's subsidiary Liander, as a gridmanager, performs the statutory management task in respect of the cables, pipelines and related equipment in Gelderland, Friesland, Flevoland, Noord-Holland and a part of Zuid-Holland. Liander is responsible for connections to the energy infrastructure and for transportation of electricity and gas for 2.9 million customers. Alliander also provides services relating to the installation and maintenance of complex energy infrastructures, such as high voltage installations and private energy grids. These activities are performed by its subsidiary Liandon B.V. ("**Liandon**").

Alliander aspires to fulfil its public responsibilities in a committed and reliable way. A key objective is to realise balanced growth for all its stakeholders: customers, staff, shareholders, the environment and society. Alliander acts at all times with an awareness of the social significance of energy to its customers and for society.

Alliander also feels responsible for helping to achieve a more sustainable supply of energy in the Netherlands. Achieving more sustainable and more decentralised generation of energy places high demands on the energy infrastructure and represents a challenge for network companies. Alliander sees it as its responsibility, along with that of other parties, to facilitate the advancement of sustainability at a price that is acceptable to society.

Alliander was formerly known as n.v. Nuon and consisted of both a network company and a production and supply company. Due to the Independent Network Operation Act (the "**WON**"), the company unbundled into an independent network company and an independent production and supply company. The legal unbundling took place on 1 July 2009.

Profile Alliander N.V.

Alliander N.V. is the holding company of the Group, which comprises, among others, the regulated broad grid operator, named Liander N.V. and installation and maintenance services provider to complex energy structures, named Liandon B.V.

Profile Liander N.V.

Liander is responsible for connecting and transporting gas and electricity. In 2009, the reliability of the grids operated by Liander exceeded 99.99%.

Generating more than 90% of Group revenue, Liander is Alliander's largest business unit. The grid manager has 2.9 million customers in Gelderland and Noord-Holland and in large areas of Flevoland, Friesland and Zuid-Holland.

Liander's duties are laid down by law. The Office of Energy Regulation (Energiekamer) monitors compliance. These statutory duties are:

- To connect customers to the electricity grid
- To transport electricity and gas via the electricity and gas grid
- To build, maintain, expand and repair energy grids
- To solve power outages and gas leaks
- To contribute to the free energy market by making it possible to switch to another supplier.

Liander also offers other services, such as building, managing, maintaining and upgrading connections to the gas and electricity grid and supplying energy meters.

Profile Liandon B.V.

As a technical specialist, Liandon designs, builds, manages and maintains complex private energy grids and large industrial and other installations for some 670 customers throughout the Netherlands. Liandon has customers in the field of high-voltage power, such as TenneT Holding B.V. ("**TenneT**"), as well as customers with their own energy network, such as Agriport and Corus.

Liandon's core activities are consultancy, projects, maintenance and management in the fields of high-voltage, complex medium-voltage, gas and industrial installations.

- Liandon is a service provider to the grid manager, Liander, and the high-voltage company, Tennet. This means that Liandon is responsible for innovations in Liander's grids and installations as well as for building, renovating, managing, maintaining and measuring, controlling and securing installations.
- Liandon also works in the open market. It supplies comprehensive solutions and services including consultancy, innovation, building, maintenance, management and ICT for energy and other infrastructures.
- Liandon's metering company reads customers' gas and electricity meters.
- Liandon is Alliander's technical knowledge centre. Some three-quarters of all innovations at Alliander originate in this business unit.

Important data – Alliander group

Important data			
	Unit	2009	2008
Number of electricity customers (active connections)	in thousands	2,861	2,832
Number of gas customers (active connections)	in thousands	2,137	2,127
Number of new electricity connections	in thousands	41	44
Number of new gas connections	in thousands	23	24
Number of disconnections ³	in thousands	8.2	7.2
Transported electricity volumes	GWh	29,408	32,950
Transported gas volumes	million m ³	6,138	6,232
Size of electricity transport network ^{1, 4}			
High-voltage (110/150 kV) ²	1,000 kilometres	0.5	2.6
Intermediate voltage (50 kV)	1,000 kilometres	2.3	2.3
Mid-voltage (3/10/20 kV)	1,000 kilometres	35.3	35.0
Low-voltage (0.23 kV)	1,000 kilometres	47.7	47.2
Total	1,000 kilometres	85.8	87.1
Size of gas transport network ⁴			
High pressure (greater than 0.2 bar)	1,000 kilometres	6.1	6.1
Low pressure (less than 0.2 bar)	1,000 kilometres	29.0	28.8
Total	1,000 kilometres	35.1	34.9

1 Circuit length shown according to three phases.

2 From 2008 under the statutory management of TenneT, with the exception of the HV grids in Randmeren.

3 Shows the number of disconnections due to changes of address (31%) and default (69%). This ratio is based on 2008.

4 The size of the transport network 2008 has been adjusted for comparative purposes.

The regulatory framework

A substantial part of Alliander's activities is regulated. This concerns mainly the grid management operations, which have been placed within Liander. Non-regulatory tasks have also been attributed to Liander. Energy supervision in the Netherlands has been entrusted to NMa/Energiekamer (Dutch Competition Authority/Energy Supervisory Body). In the past years, the supervision over Dutch business and industry, including the energy companies, has been intensified and the enforcement policy tightened up. It cannot be ruled out that the trend towards further regulation in the energy sector will continue, thereby putting pressure on the results of Alliander.

Unbundling

For the Issuer, the year 2009 was dominated by the unbundling of the production and supply activities. For the realisation of this, the legally required unbundling plan was submitted by the Issuer (then named n.v. Nuon) to the Netherlands Competition Authority ("NMa") on 30 October 2008. On 8 April 2009 the Minister of Economic Affairs (the "**Minister**") announced that the unbundling plan, subject to related instructions, complied with the statutory requirements.

In February 2009 and prior to the Minister's consent for the unbundling plan, the Issuer announced the takeover of the production and supply company n.v. Nuon Energy ("**Nuon Energy**") by the Swedish energy company Vattenfall. The Issuer's shareholders agreed to the unbundling and sale of Nuon Energy on 17 June 2009. The competition authorities gave their consent shortly afterwards. On 30 June 2009 Nuon Energy was formally unbundled from its parent company (the Issuer). On the same date the Issuer changed its name from n.v. Nuon to Alliander N.V. The Issuer's Management and Supervisory Boards were reconstituted as at that date.

By unbundling Nuon Energy the Group achieved full compliance with the prohibition imposed by the WON on integrated energy companies. The unbundling plan referred to above describes how the financial separation will be effectuated. The basic aim was to create two financially healthy companies with balanced financing structures, taking into account the fact that Alliander operates chiefly in a regulated environment, while Nuon Energy is active in the free market. The financing structure set out in the unbundling plan does justice to the long-term investment requirements of both companies. This ensures compliance with the Decree on the Financial Management of the Grid Manager, which stipulates that the total debt of the grid manager Liander divided by the sum of its shareholders' equity and total debt on the unbundling date may not exceed 60%.

The most important of the ministerial instructions was the requirement for Nuon Energy to contribute €400 million of additional capital to the grid manager. The actions required in this respect were taken before the legal unbundling of Nuon Energy. At the time of the unbundling and following a further instruction by the Minister relating to the sale of the grids with voltages of 110 kV and higher (the "**HV-grids**") to TenneT, Liander received an additional €5 million from Nuon Energy. In order to ensure full compliance with the ministerial instruction regarding the sale of the HV-grids, Liander's shareholders' equity will be further reinforced in 2010 by €15 million being assigned from the dividend payable to Alliander shareholders for 2009.

Under the WON, Alliander was required to provide a statement from an independent expert confirming that the unbundling plan has been correctly implemented. This statement, which also outlines how Alliander has ensured compliance with the ministerial instructions accompanying the unbundling plan, was sent to the Netherlands Competition Authority on 18 December 2009.

Some relationships between Alliander and Nuon Energy have remained in place since the unbundling of the production and supply activities. These include activities relating to invoicing and collecting amounts from consumers (until the supplier model becomes operational) and the sub-leasing of two district heating grids, which were unable to be transferred to Nuon Energy at the time of the unbundling because of the cross border leasing contracts attached to them. Furthermore several joint balance sheet items will be settled in the near future.

Nuon Energy was financially unbundled from n.v. Nuon with retroactive force to 1 January 2009, which means that from that date Nuon Energy's results have no longer been included in Alliander's financial statements. Consequently, since 1 January 2009, the results of the Issuer have comprised the results of the network company, including those of the grid manager Liander, Liandon, Alliander Finance B.V., Alliander AG and (for the period to 1 December 2009) Liandyn B.V. ("**Liandyn**").

2009 at a glance

Refinancing

In view of the proposed unbundling to achieve compliance with the WON prohibition on integrated energy companies, a current account settlement took place between Nuon Energy and Alliander. In this framework, the existing Euro Medium Term Note programme was amended in the first quarter of the year and increased from €2 billion to €3 billion. On 6 April 2009 two bonds were issued totalling €1.25 billion (€500 million maturing in April 2012 and €750 million maturing in April 2016). The total notional amount of issued bonds currently amounts to €2.05 billion.

Sale of HV-grids

The Share Purchase Agreement for the sale of the HV-grids (not placed within cross border leases) to the national grid manager TenneT was signed on 11 June 2009, with retroactive force to 1 June 2009. The selling price amounted to €368 million, yielding a book profit of €130 million after taxation. Alliander

provided a loan to TenneT to fund the full amount of the purchase; this loan was repaid at the end of September 2009.

In addition to the completion of the sale of the HV-grids to TenneT the parties agreed to establish a long-term partnership for performing infrastructural work on the grids sold. Within Alliander these activities were previously performed by Liandon as the service provider for the grid manager Liander. Currently the plans for this partnership are drawn up; implementation is expected to start in the first half of 2011.

Establishment of Ziut

On 1 October 2009, Alliander and Enexis Lighting B.V. ("**Enexis**") established a new subsidiary, Ziut B.V. ("**Ziut**"). Ziut is a joint venture in public lighting, traffic and lighting architecture, which is a growing market. Enexis and Alliander own this company jointly, with Alliander having a stake of 53%. At the end of November 2009 Alliander contributed its shares in Liandyn to Ziut, with this transaction generating a book profit of €10 million. Enexis in turn contributed its shares in Enexis Lighting B.V. (trading name IP Lighting) to Ziut. Ziut has started out with over 500 employees and annual sales of around €140 million. Ziut's clients include municipalities, district water boards and provinces, as well as civil engineering companies and project developers.

Business strategy

Energy networks form an important pillar underpinning our society. Alliander's customers and wider society count on energy being available at all times. What motivates Alliander is to ensure a reliable, affordable, safe and sustainable energy supply is provided both now and in the future.

This objective is translated into a mission, which is to contribute towards a better society in the regions in which Alliander operates. One key condition for this involves maintaining a dialogue with Alliander's stakeholders, which are customers, employees, shareholders and debt providers and society. Alliander listens to what they expect from a network company, particularly in terms of the products and services which Alliander delivers and develops. In this way, Alliander aims to continuously improve and accomplish its core values, which are to be 'committed, reliable, the best'.

Alliander's mission is translated into the following ambitions:

- To be the number one service provider in the eyes of the customer in regions where we are active;
- In respect of its employees, to be an innovative and successful company, driven to work for a better society;
- To be a robust, socially and economically responsible investment for its shareholders and debt providers; and
- In respect of the supervisory body and the society, to be the natural partner in development and achievement of energy policy.

Financial Performance

The year 2009 was the first year in respect of which Alliander published its annual figures as a stand-alone network company. In financial terms, 2009 was also characterised by the unbundling. The unbundling-related capital injection and sale of the HV network strengthened Alliander's financial position, while the operational costs were higher due to one-off unbundling related measures.

Net turnover decreased in 2009 by €51 million (3%) to €1,446 million. Of this decrease, €12 million was attributable to tariff reductions, while €14 million related to provisions made for compensation and the

leniency payment relating to the introduction of capacity charges, €20 million related to the release in 2008 from the provision for a tariff dispute with the NMa and €5 million was attributable to lower turnover in free domain activities and other effects.

Other income was €91 million higher than in 2008 at €304 million because of the book profit of €168 million (before taxation) recorded on the sale of the HV-grids to TenneT and the €10 million book profit on the sale of Liandyn and lower income primarily from services provided to Nuon Energy (€87 million).

Operating expenses (personnel expenses, external personnel expenses and other expenses) in the financial year came out at €755 million, which was almost the same as in 2008. If account is taken of the net incidental expenses relating to cross border leases in 2008 (€105 million), operating expenses in 2009 increased by €60 million for non-recurring items and €50 million for a structural increase in costs. The non-recurring items consisted of the special staff gratuity of €23 million relating to the unbundling and an amount of €37 million relating to provisions and strategic projects. The structural increase is accounted for by higher expenses resulting from the sale of the HV-grids to TenneT (€13 million), higher maintenance costs for the transport grid (€8 million) and a structural increase in other costs (€29 million). This structural increase in other costs relates to the above shift in allocating costs for invoicing and collecting amounts due from business customers, to the costs of intelligent grid management and smart meters and to various initiatives designed to improve our services, such as World Class Customer Management, operational excellence and market changes (market model). Intelligent grid management and smart meters will in due course help reduce the costs of operating the transport grid, while the various improvement projects focus on customer processes and the overall corporate culture and should eventually lead to higher levels of customer satisfaction and reduce the costs of customer processes. The focus is deliberately long-term, the ultimate aim being to achieve good customer satisfaction at the lowest possible price.

The reported operating profit for 2009 increased by €101 million (26%) to €491 million due to the book profit on the sale of the HV-grids (€168 million) and Liandyn (€10 million), incidental expenses in 2008 relating to cross border leases (€105 million), lower depreciation (€11 million) and higher capitalised production (€11 million), which amounts were partly offset by lower net turnover (€51 million), lower other income (€87 million) and higher costs of purchasing and sub-contracted work and operating expenses (€66 million), including the staff gratuity paid in respect of the unbundling (€23 million).

The operating profit for 2009 excluding incidental items was €335 million, which was €138 million lower than in 2008. This decrease was caused by lower net turnover (€31 million), lower other income (€87 million) and higher costs of purchasing and sub-contracted work and operating expenses (€42 million), partially offset by lower depreciation (€11 million) and higher capitalised production (€11 million).

Since the date of operational unbundling (1 July 2008), the invoicing and collection activities for business customers have been performed in-house. These activities were formerly purchased from Nuon Energy's Customer Care Center ("CCC"). As a result, the relevant costs have shifted from purchasing costs and costs of sub-contracted work to personnel and external personnel expenses. In addition, the lower prices for grid losses resulted in lower costs for purchasing and sub-contracted work.

Financial income and expenses in 2009 came out at a total net expense of €128 million (2008: €44 million). Of the total increase of €84 million, €38 million related to incidental income: the early redemption of a loan in 2008 (€42 million) and interest received in 2009 on corporation tax paid for previous years (€4 million). The remaining increase in net expense of €46 million was caused by the changed financing structure as a result of the implemented unbundling and to the relatively low rate of credit interest received on money-market placements.

The result from associates and joint ventures in 2009 amounted to €20 million (2008: €4 million) and consists mainly of the results from the participating interest in N.V. KEMA. The amount of €13 million of the €16 million increase from 2008 to 2009 is attributable to the incidental and non-recurring sale by N.V. KEMA of a participating interest.

The effective tax rate (the tax rate expressed as a percentage of the profit before taxation from continuing operations excluding the share in the result from associates and joint ventures) amounted to 19.6% in 2009 (2008: 23.1%). The lower effective tax rate was mainly attributable to a release of €12 million relating to an earlier estimate of payable corporate income tax from previous years. In addition, due to the sale of the HV-grids, a deferred tax asset that had not been nominally valued was realised. Furthermore, the book profit on the sale of Liandyn was covered by the participation exemption.

The reported profit after taxation for the financial year increased by €42 million to €312 million. This increase is the result of an increase in the operating profit (€101 million), higher financial expenses (€84 million), a higher result from associates (€16 million) and lower taxation (€9 million).

The profit after taxation excluding incidental items in 2009 came out at €160 million (2008: €302 million). As explained above, this decrease is accounted for by lower operating profit (€138 million), higher net financial expenses (€46 million), a higher result from associates (€3 million) and lower taxation (€39 million).

Management of Alliander N.V.

Management Board

Alliander's Management Board consists of two members:

- Mr P.C. Molengraaf Chairman of the Management Board
- Mr M.R. van Lieshout Chief Financial Officer (CFO)

P.C. Molengraaf (1965, Dutch nationality)

Chairman of the Management Board

Mr Molengraaf has been appointed with effect from 30 June 2009 as chairman of the Management Board of Alliander. He is responsible for Alliander's overall management.

Mr Molengraaf joined Nuon early in 2005 as Director of the Customer Service Division. In February 2007 he was appointed by Essent and Nuon as Programme Director for the proposed merged company. After the merger process was called off, he became Director of the Network Services Division at Nuon. From 1 July 2008 to 30 June 2009 he held the position of chairman of the Board of the Nuon network company. Before joining Nuon, Mr. Molengraaf was employed at Shell in various capacities including European Customer Service Centre Manager, Cross-Business IT Manager and Commercial Director of Shell Netherlands Sales Company.

Mr Molengraaf studied Information Science at TU Delft and obtained his MBA at the Rotterdam School of Management of the Erasmus University.

Supervisory Directorships/Other Positions:

- Member of the Supervisory Board of N.V. KEMA
- Member of the Supervisory Board of B.V. Ziut.

M.R. van Lieshout (1963, Dutch nationality)

Member of the Management Board and CFO

Mr Van Lieshout was appointed as a member of the Management Board in the position of CFO with effect from 1 January 2010. He is responsible for the financial management of Alliander.

Mr Van Lieshout joined Nuon as financial director of N.V. Nuon Business in 2003. From July 2008 to 1 January 2010 he held the position of Director of Finance, Treasury and Tax Affairs of Alliander. Before joining Nuon, Van Lieshout was employed in various capacities, including CFO of ABB Benelux.

Mr van Lieshout studied Business Economics (specialising in Accountancy) at VU University Amsterdam and attended various Business Programs at the International Institute for Management Development (IMD) in Lausanne.

Supervisory Directorships/Other Positions:

None.

Supervisory Board

The Supervisory Board of Alliander N.V. consists of seven members:

- E.M. d'Hondt
- G. Ybema
- Ms J.B. Irik
- J.C. van Winkelen
- Ms J.G. van der Linde
- F.C.W. Briët
- Ms A.G.M. van der Veer-Vergeer

E.M. d'Hondt (1944, Dutch nationality)

- Appointed in 2009
- Current term of office ends in 2013
- Member of the Selection, Appointment and Remuneration Committee
- Former Chairman of the Association of Universities in the Netherlands and former Mayor of Nijmegen

Supervisory directorships/other positions:

- Chairman of Supervisory Board: Brinkgroep
- Chairman of Supervisory Board: Goudse Verzekeringen N.V.
- Member of Supervisory Board: BMC Groep
- Chairman of Supervisory Board: Canisius-Wilhelmina Hospital
- Member of Supervisory Board: Police Academy
- Chairman of the Netherlands Taxonomy Project
- Chairman of the Board of GGD (Municipal Health Department) Netherlands
- Vice-Chairman of the Netherlands Red Cross
- Board Member of the Dutch Society, Security and Police Foundation
- Board Member of the Academy for Legislation and the European Academy for Constitutional Issues
- Board Chairman of the Montesquieu Institute
- Board Chairman of Nieuwe Hollandse Waterlinie (New Dutch Waterline)
- Chairman of the National Judicial Function Reinforcement Project
- Member of Advisory Board of Netherlands Care Insurers
- Member of Committee for Macro-Effectiveness in Higher Education

- Member of Steering Group for Administrative Strength Measurement of the ‘Randstad’ Provinces

G. Ybema (1945, Dutch nationality)

- Appointed in 2005
- Current term of office ends in 2013
- Member of the Audit Committee
- Director of Ybema Economy Solutions
- Former State Secretary of Economic Affairs in the Second Government under Prime Minister Kok

Supervisory directorships/other positions:

- Member of international Supervisory Board: Arcadis N.V.
- Chairman of Supervisory Board: Opvangregeling Leven N.V.
- Chairman of Supervisory Board: Zorggroep Noorderbreedt
- Chairman of Supervisory Board: Ventus Groep B.V.
- Chairman of Supervisory Board: Noordelijke Hogeschool Leeuwarden
- Chairman of Supervisory Board: Stichting Westholland Foreign Investment Agency
- Member of Supervisory Board: ROC Friese Poort
- Chairman of Guarantee Committee: SCVM (Foundation for the Certification of VBO Real Estate Agents)
- Chairman of the Netherlands Association of Cinema Operators
- Chairman of the Health Innovation Forum
- Chairman of Fair Wear Foundation
- Chairman of the Frisian Language Consultative Body

Ms J.B. Irik (1956, Dutch nationality)

- Appointed in 2001
- Current term of office ends in 2012
- Member of Selection, Appointment and Remuneration Committee
- Independent adviser and project manager at Irik Advies consultancy.

Supervisory directorships/other positions:

- Member of Supervisory Board: Crediam Holding N.V.

J.C. van Winkelen (1945, Dutch nationality)

- Appointed in 2009
- Current term of office ends in 2011
- Chairman of the Audit Committee
- Former Management Board Chairman of Vitens and former Director of Nuon Water

Supervisory directorships/other positions:

- Chairman of Supervisory Board: Douma Staal B.V.
- Member of Supervisory Board: Legyon B.V.
- Vice-Chairman of Supervisory Board of Wetsus (Centre of Excellence for Sustainable Water)
- Adviser to Hak N.V.

Ms J.G. van der Linde (1957, Dutch nationality)

- Appointed in 2009
- Current term of office ends in 2013
- Director of the Clingendael International Energy Programme

Supervisory directorships/other positions:

- Professor in Geopolitics and Energy Management at the Faculty of Arts of the University of Groningen

- Member of the Dutch Energy Council
- Member of Supervisory Board: Wintershall Noordzee B.V.

F.C.W. Briët (1947, Dutch nationality)

- Appointed in 2009
- Current term of office ends in 2011
- Chairman of the Selection, Appointment and Remuneration Committee
- Former Chairman of the Management Board of De Goudse Verzekeringen, former Management Board Member of Koninklijke Hoogovens/Corus and Former Chairman of the Board of Directors of Unilever Netherlands

Supervisory directorships/other positions:

- Chairman of Supervisory Board: FloraHolland
- Member of Supervisory Board: DSW Zorgverzekeraar
- Member of Advisory Board: Advies Boval
- Member of De Goudse Trust Office
- Member of Van Lanschot Bankiers Trust Office
- Member of Koninklijke Tichelaar Makkum Trust Office

Ms A.G.M. van der Veer-Vergeer (1959, Dutch nationality)

- Appointed in 2009
- Current term of office ends in 2012
- Member of the Audit Committee
- Independent management adviser on strategy and governance/Director of the Stranergy consultancy
- Former CEO Currence Holding, former CEO KPN Business Solutions Division, former member of Executive Board Achmea Bank Holding and former Board Chairman Staal Bankiers

Supervisory directorships/other positions:

- Member of Supervisory Board: Fortis Bank Nederland Holding N.V.
- Adviser: National Register of Supervisory Directors and Regulators
- Member of Supervisory Board NPO (Netherlands Public Broadcasting Company)
- Member of Advisory Board of British Telecom
- Member of Supervisory Board of the Netherlands Stomach Liver and Bowel Foundation

The address of both the Management Board and Supervisory Board is Alliander N.V., Utrechtseweg 68, 6812 AH Arnhem - P.O. Box 50, 6920 AB Duiven, the Netherlands.

No actual or potential conflicts of interest exist between duties to the Issuer of the persons on the Management and Supervisory Boards, as listed above, and their private interests.

Principal Subsidiaries of Alliander N.V.

Liander N.V.

Liandon B.V.

Alliander A.G.

Alliander Finance B.V.

Ziut B.V. (53%)

n.v. KEMA (24.9% owned)

Major Shareholders

The four largest shareholders in the Issuer are: Province of Gelderland (44.68%), BV Houdstermaatschappij Falcon (Province of Friesland) (12.65%), Province of Noord Holland (9.16%) and the municipality of Amsterdam (9.16%). The remainder is owned by approximately 54 smaller municipal shareholders.

Recent Developments

On 11 December 2009 Alliander reached agreement with the municipality of Eindhoven and eleven other municipalities in the Eindhoven region in a 'Heads of Terms' agreement on the proposed transfer of their shares in the grid company Endinet B.V. ("**Endinet**") to Alliander. The final purchase agreement was settled after completion of the due diligence in January 2010. Endinet has an annual turnover of €110 million and approximately 250 employees. Alliander's primary interest in acquiring Endinet is because Endinet's grids tie in geographically with those of Liander and this provides opportunities to achieve economies of scale. Given the Minister's intention to reassign ownership of energy grids and so reduce fragmentation in the sector, the acquisition of Endinet will reinforce the positions of both Alliander and Endinet in the market. The NMa and the Minister approved the purchase in March 2010. The signing of the purchase agreement took place on 4 March 2010. The actual (legal) transfer of the shares took place on 1 July 2010. The purchase price, of €712 million, was paid out of cash reserves on 1 July 2010.

On 16 March 2010, Alliander acquired Stam & Co of Heerhugowaard, an all-round contractor for cable and communications systems. Stam & Co has annual revenues of some €24 million and approximately 150 employees. This acquisition assures Alliander of sufficient engineering capacity in Noord-Holland. The financial information of Stam & Co has been included in the Alliander consolidation with effect from 16 March 2010 (date of acquisition). The profit contribution for the period up to 30 June 2010 was minimal.

On 11 March 2010, Moody's raised the long-term ratings of Alliander N.V. and Alliander Finance B.V. from A2 to Aa3. The short-term Prime-1 ratings have been confirmed. The outlook for all ratings is stable. The expected support of all the shareholders in the event of exceptional circumstances was of particular importance in raising the long-term ratings.

On 30 March 2010, Alliander replaced its revolving credit facility maturing in November 2011, with a new revolving credit facility for a total of €600 million maturing in March 2015. On 18 June 2010, the EMTN and ECP programmes were also renewed and the issuing company was changed at the same time from Alliander Finance B.V. to Alliander N.V., so that all future issues under these programmes will be made in the name of Alliander N.V.

Material Contracts

Cross Border Leases

In the period 1998 to 2000, subsidiaries of Alliander N.V. entered into US cross-border leases for networks, including LILO (lease in lease out) and SILO (sale in lease out) transactions. The six transactions remaining as at 30 June 2010 relate to gas networks in the provinces of Friesland, Gelderland, Flevoland, Noord-Holland, Zuid-Holland and Utrecht, district heating networks in Almere and Duiven/Westervoort and the electricity network in the Randmeren region. As a party to the relevant agreements, Alliander is a guarantor in five of these transactions. Alliander also filed '403 declarations', which comprise a statement of liability, for the relevant subsidiaries. The networks have been leased for a long period to US parties (head lease), which, in turn, have sublet the assets to the various Alliander subsidiaries (sublease). At the end of the sublease there is the option of purchasing the rights of the American counterparty under the head lease, thus ending the transaction. The terms agreed for the subleases expire between 2015 and 2028. The fees earned on the cross-border leases were recognised in the year in which the relevant transaction was entered into. There are conditional and unconditional contractual rights and obligations relating to the cross-border leases.

Security in the form of mortgage and pledge rights has been granted on parts of the grids within the framework of the obligation entered into.

The total net carrying amount of the assets placed within cross-border leases was €1.0 billion in 2009 (2008: €0.9 billion). At the end of 2009, a total of USD 3.6 billion (2008: USD 3.8 billion) was held on deposit with several financial institutions or invested in securities in connection with these transactions. Since no powers of disposal exist over the majority of these assets and associated liabilities, they are not regarded as assets and liabilities of Alliander and the respective amounts are not recognised in its consolidated financial statements. The assets over which Alliander has powers of disposal are recognised in the financial assets. The associated lease obligations are recognised in finance lease payables.

At the end of 2009 the maximum 'strip risk' (the portion of the 'termination value' – the possible compensation payable to the American counterparty in the event of early termination of the transaction – which cannot be settled from the deposits and investments held for this purpose) for all transactions together was USD 691 million (2008: USD 603 million). To cover the equity part of the strip risk (the portion of the strip risk that involves the equity investments by US investors which cannot be settled by the investments held for this purpose), amounting to USD 518 million at the end of 2009 (2008: USD 378 million), Alliander has provided the investors involved with security in the form of letters of credit for an amount of USD 312 million (2008: USD 349 million) in various transactions. The number and size of the letters of credit to be issued depend partly on Alliander's credit rating. In the context of some of the letter of credit facilities, a pledge has been established in favour of the banks concerned on the cash deposits held at those banks for a total of USD 42 million at the end of 2009 (2008: USD 79 million).

In late 2009 agreement was reached with the American investor concerned on the early termination of two trusts relating to the cross-border lease transaction entered into in 1999 with respect to the gas network of the former Nuon VNB. Actual closing of the transaction occurred on 26 January 2010. As a result of these transactions being terminated, the total amount on deposit or invested in securities in respect of these transactions was USD 3.4 billion at 26 January 2010, while the maximum strip risk has been reduced to USD 640 million (of which USD 467 million relates to the equity share). Total letters of credit are now USD 99 million lower at USD 213 million (including the letter of credit required amount amendments as of 2 January 2010).

In connection with the implementation of the WON, the heating networks belonging to N.V. Nuon Infra Oost that had been placed within a cross-border lease were sublet in mid-2008 to N.V. Nuon Warmte, part of Nuon Energy. This operating lease has a term of 12.5 years (term runs to 31 December 2020). The total carrying amount of the sub-leased networks at 31 December 2009 was €110 million (31 December 2008: €114 million).

Auditor's report

The auditors, PricewaterhouseCoopers Accountants N.V. issued unqualified auditor's reports on the financial statements for the financial years ended 31 December 2009 and 31 December 2008 of the Issuer on 7 April 2010 and 19 March 2009 respectively.

For a better understanding of the Issuer's financial position and results and of the scope of the audit, the Balance Sheets and Statements of Income should be read in conjunction with the financial statements from which they have been derived and the auditors' reports thereon.

Use of Proceeds

The net proceeds from the issue of the Securities, expected to amount to €493,725,000 (excluding expenses), will be applied by the Issuer for its general corporate purposes.

The expenses in connection with the transaction are expected to amount to approximately €1,000,000.

Taxation in The Netherlands

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

Where this summary refers to a holder of Securities, such reference is restricted to a holder holding legal title to as well as an economic interest in such Securities.

Withholding Tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate and Individual Income Tax

This summary does not address the Netherlands Corporate and Individual Income Tax consequences for:

- (i) holders of Securities holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Securities of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
 - (ii) investment institutions (*fiscale beleggingsinstellingen*); and
 - (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.
- (a) Residents of The Netherlands

If a holder is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in The Netherlands (at up to a maximum rate of 25.5%).

If an individual holder is a resident or deemed to be a resident of The Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of The Netherlands), income derived from the Securities and gains realised upon the redemption, settlement or disposal of the

Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under The Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Securities are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a rate of 30%.

(b) Non-residents of The Netherlands

If a holder is not a resident nor is deemed to be a resident of The Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of The Netherlands), such holder is not taxable in respect of income derived from the Securities and gains realised upon the settlement, redemption or disposal of the Securities, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or permanent representative the Securities are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in The Netherlands (other than by way of securities) and to which enterprise the Securities are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5%.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or permanent representative the Securities are attributable, or (2) realises income or gains with respect to the Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in The Netherlands, which activities include the performance of activities in The Netherlands with respect to the Securities which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise which is effectively managed in The Netherlands (other than by way of securities) and to which enterprise the Securities are attributable.

Income derived from the Securities as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*Residents of The Netherlands*"). The fair

market value of the share in the profits of the enterprise (which includes the Securities) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

(a) Residents of The Netherlands

Generally, gift and inheritance tax will be due in The Netherlands in respect of the acquisition of the Securities by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of Dutch nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax if he or she has been resident in The Netherlands and dies or makes a donation within ten years after leaving The Netherlands. A holder of any other nationality is deemed to be a resident of The Netherlands for the purposes of The Netherlands gift tax if he or she has been resident in The Netherlands and makes a donation within a twelve months period after leaving The Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of The Netherlands.

(b) Non-residents of The Netherlands

No gift or inheritance taxes will arise in The Netherlands in respect of the acquisition of the Securities by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Securities by a holder who at the date of the gift was neither a resident nor deemed to be a resident of The Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of The Netherlands.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament

approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Subscription and Sale

Citigroup Global Markets Limited, Coöperatieve Centrale Raiffeisen –Boerenleenbank B.A. (Rabobank International) and Morgan Stanley & Co. International plc (the "**Managers**") have, pursuant to a Subscription Agreement dated 9 November 2010, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 99.495 per cent. of their principal amount less a combined selling, management and underwriting commission. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

SELLING RESTRICTIONS

General

Neither the Issuer nor any Manager has made any representation that any action will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Securities, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes this Prospectus or any such other material, in all cases at its own expense.

United States

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

General Information

1. Application has been made to the Euronext Amsterdam N.V. for the Securities to be listed on Euronext Amsterdam by NYSE Euronext ("**Euronext Amsterdam**"). References in this Prospectus to the Securities being "listed" (and all related references) shall mean that the Securities have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).
2. The Issuer has obtained all necessary consents, approvals and authorisations in The Netherlands in connection with the issue and performance of the Securities. The creation and issue of the Securities was authorised by resolutions of the management board of the Issuer passed on 20 September 2010.
3. Save as set out in the section titled "*Recent Developments*" on page 53 above in relation to the acquisition by the Issuer of Endinet with effect from 1 July 2010, there has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries, taken as a whole, since 30 June 2010. There has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries, taken as a whole, since 31 December 2009.
4. The Issuer is not, nor has it been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or of the Issuer and its subsidiaries, taken as a whole.
5. The Securities have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) for the Securities is XS0558238043, the Common Code is 055823804 and the WKN is A1A3JN.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

6. The Issuer intends that, to the extent that the Securities provide the Issuer with equity credit for rating purposes at the time of redemption, it will repay the principal amount of the Securities upon such redemption with net proceeds received by the Issuer or any of the Issuer's subsidiaries from the sale or issuance, during the 360-day period prior to the date of redemption, by it or any Subsidiary to third-party purchasers, other than a Group entity, of securities for which the Issuer will receive equity credit, at the time of sale or issuance, that is equal to or greater than the equity credit attributed to the Securities at the time of their issuance.
7. At or around the time of issuance of the Securities, the Issuer will enter into a replacement capital covenant (RCC) initially for the benefit of holders of the Issuer's €300,000,000 4.50% Rating Linked Notes due December 2019, issued on 17 December 2004 with ISIN: XS0208469923, until the first redesignation date (being the earlier of (i) the date that is two years prior to the final maturity date of such Notes and (ii) if such Notes are redeemed or purchased in whole or in part with the consequence that the outstanding principal amount of such Notes is less than €100 million, the applicable redemption or purchase date), and thereafter for the benefit of holders, from time to time, of long-term indebtedness of the Issuer or any finance subsidiary of the Issuer that is guaranteed by the Issuer with the following characteristics:
 - (A) ranks *pari passu* with the then outstanding unsubordinated long-term indebtedness of the Issuer or unsubordinated guarantee obligations of the Company in the event of insolvency, liquidation or dissolution of the Issuer;

- (B) has an outstanding principal amount of not less than €100 million; and
- (C) was issued through or with the assistance of a commercial or investment banking firm or firms acting as underwriters, initial purchasers or placement or distribution agents,

or if no such indebtedness is outstanding at the relevant time, for the benefit of holders, from time to time, of long-term indebtedness of the Issuer or any finance subsidiary of the Issuer that is guaranteed by the Issuer with the following characteristics:

- (A) ranks junior to the then outstanding unsubordinated long-term indebtedness of the Company or unsubordinated guarantee obligations of the Company in the event of insolvency, liquidation or dissolution of the Company;
- (B) ranks senior to the Reference Securities in the event of insolvency, liquidation or dissolution of the Company;
- (C) has an outstanding principal amount of not less than €100 million; and
- (D) was issued through or with the assistance of a commercial or investment banking firm or firms acting as underwriters, initial purchasers or placement or distribution agents.

The RCC provides that, subject to certain exceptions, the Issuer (by itself or through its subsidiaries) may not repay, redeem or repurchase any Securities between 12 November 2015 and the termination of the RCC (in any event on 12 November 2035 or earlier, subject to certain conditions), unless the principal amount of the repaid, redeemed or repurchased Securities does not exceed the sum of:

- (E) 200 per cent. of the aggregate amount of net cash proceeds the Issuer received through selling to third parties (excluding subsidiaries) (a) ordinary shares in its capital (that it did not hold previously), (b) warrants to purchase ordinary shares of the Issuer which have an exercise price greater than the current value of the ordinary shares of the Issuer as of the date on which the warrants are priced and are not redeemable for cash by the Issuer, (c) securities issued by the Issuer or by a finance subsidiary of the Issuer (but which are guaranteed by the Issuer) which *inter alia* are mandatorily convertible within the then relevant time period as defined by S&P, currently no later than three years from their date of issuance should the Issuer be rated investment grade by S&P, or not later than two years from the date of their issuance should the Issuer be rated non-investment grade by S&P, into common shares at a price that is no less than the market price of the common shares at the time of the original issuance of such securities and (d) instruments which achieve 100% equity credit from Standard & Poor's under the relevant guidelines as at the time of such redemption of the Securities; and
- (F) 100 per cent. of the aggregate amount of net cash proceeds the Issuer received through selling to third parties (excluding subsidiaries) securities which achieve the same equity credit from Standard & Poor's as the Securities at the time of their issuance.

8. Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.
9. The auditors of the Issuer are PricewaterhouseCoopers Accountants N.V., Prinses Margrietplantsoen 46, 2595 BR Den Haag, The Netherlands, who have audited the accounts of the Issuer for the financial years ended 31 December 2008 and 31 December 2009 in accordance with generally

accepted accounting principles and practices in The Netherlands. The relevant auditors of PricewaterhouseCoopers Accountants N.V. who have signed the audit reports incorporated by reference into this Base Prospectus are members of The Netherlands Institute for Registeraccountants. The auditors of the Issuer have no material interest in the Issuer.

10. Save for the commissions and any fees payable to the Joint Lead Managers, no person involved in the issue of the Securities has an interest, including conflicting ones, material to the offer.
11. Copies of the following documents will be available free of charge, from the registered office of the Issuer and from the specified office of the Paying Agent for the time being as long as any of the Securities remains outstanding:
 - (A) the Articles of Association (*statuten*) of the Issuer;
 - (B) the annual reports of the Issuer for the years ended 2008 and 2009 (containing the audited financial statements of the Issuer, which include the consolidated financial statements), in each case together with the audit reports prepared in connection therewith;
 - (C) the half-year report of the Issuer for the six-months ended 30 June 2010 (containing its unaudited results for the half-year ended 30 June 2010).
 - (D) copies of the Agency Agreement and the Replacement Capital Covenant; and
 - (E) a copy of this Prospectus.

Registered Office of the Issuer

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