# Eurogrid GmbH

*(incorporated with limited liability in Germany)*

## Euro €2,500,000,000

## Guaranteed Euro Medium Term Note Programme
## guaranteed by 50Hertz Transmission GmbH and 50Hertz Offshore GmbH

*(each incorporated with limited liability in Germany)*

Under the Guaranteed Euro Medium Term Note Programme described in this Prospectus (the "**Programme**"), Eurogrid GmbH (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Guaranteed Euro Medium Term Notes guaranteed by 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (the "**Guarantee**" and the "**Guarantors**", respectively) (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed Euro € 2,500,000,000 (or the equivalent in other currencies).

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, for the approval of this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**"). Application has been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market 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. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market (or any other stock exchange).

Each Series (as defined in "*Overview of the Programme — Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure (the "**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Tranches (as defined in "*Overview of the Programme — Method of Issue*") of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. 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.

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

***Arrangers and Dealers for the Programme***

**BNP PARIBAS** **DEXIA CAPITAL MARKETS**

**ING COMMERCIAL BANKING** **THE ROYAL BANK OF SCOTLAND**

The date of this Base Prospectus is 8 October 2010

**This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer, the Guarantors and their subsidiaries and affiliates taken as a whole (the "Group") and the Notes which, according to the particular nature of the Issuer, the Guarantors and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantors.**

**The Issuer and the Guarantors (the "Responsible Persons") accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantors (each having 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 documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").**

**No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors or any of the Arrangers or the Dealers (as defined in "*Overview of the Programme*"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantors since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme 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.**

**In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).**

**The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "*Subscription and Sale*".**

**This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors or the Dealers to subscribe for, or purchase, any Notes.**

**To the fullest extent permitted by law, none of the Arrangers or the Dealers accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuer, the Guarantors, or the issue and offering of the Notes. The Arrangers and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial**

**statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantors, the Arrangers or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Issuer or the Guarantors during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.**

**In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any 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 relevant Tranche 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 relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

**In this Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "Euro", "EUR" or "euro" are to the single currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, references to "£", "pounds sterling", "GBP" and "Sterling" are to the lawful currency of the United Kingdom and references to "$", "USD" and "U.S. Dollars" are to the lawful currency of the United States of America.**

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## DOCUMENTS INCORPORATED BY REFERENCE

The pages specified below of the following documents which have previously been published or are published simultaneously with this Prospectus and which have been filed with the CSSF are incorporated by reference into and form part of this Prospectus: (i) the Annual Report for the financial year ended 31 December 2008 (the "**Financial Year 2008**") of 50Hertz Transmission GmbH, (ii) the Annual Report for the financial year ended 31 December 2009 (the "**Financial Year 2009**") of 50Hertz Transmission GmbH, (iii) the Report for the short financial year from 1 January 2010 to 31 May 2010 (the "**Short Financial Year 2010**") (*Bericht über das Rumpfgeschäftsjahr 2010 des Konzerns 50Hertz und der 50Hertz Transmission GmbH*) containing the non-consolidated financial statements of 50Hertz Transmission GmbH for the Short Financial Year 2010, (iv) the Report for the Short Financial Year 2010 (*Bericht über das Rumpfgeschäftsjahr 2010 des Konzerns 50Hertz und der 50Hertz Transmission GmbH*) containing the consolidated financial statements of 50Hertz Transmission GmbH for the Short Financial Year 2010, (v) the Annual Report for the Financial Year 2008 (*Bericht über das Geschäftsjahr 2008*) of 50Hertz Offshore GmbH, and (vi) the Annual Report for the Financial Year 2009 (*Bericht über das Geschäftsjahr 2009*) of 50Hertz Offshore GmbH, which in each case includes the auditor's report *(Bestätigungsvermerk)* in respect thereof. The pages specified in the table below shall be incorporated in and form part of this Prospectus, save that any statement contained on such pages incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Any information, which is not listed in the tables below, but included in the documents below is given for information purposes only, and does not form part of this Prospectus. The non-incorporated parts of the documents incorporated by reference are not relevant for investors.

Copies of the documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and the website of the Luxembourg Stock Exchange (*www. bourse.lu*).

**Extracted from: 50Hertz Transmission GmbH (under its former name Vattenfall Europe Transmission GmbH) – Annual Report 2008 (containing the non-consolidated financial statements of 50Hertz Transmission GmbH for the Financial Year 2008)**

Balance Sheet (*Bilanz*) .......... Pages 20-21

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**Extracted from: 50Hertz Transmission GmbH – Annual Report 2009 (containing the non-consolidated financial statements of 50Hertz Transmission GmbH for the Financial Year 2009)**

Balance Sheet (*Bilanz*) .......... Pages 26-27

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**Extracted from: 50Hertz Transmission GmbH – Report for the Short Financial Year 2010 (*Bericht über das Rumpfgeschäftsjahr 2010 des Konzerns 50Hertz und der 50Hertz Transmission GmbH*) (containing the non-consolidated financial statements of 50Hertz Transmission GmbH for the Short Financial Year 2010)**



**Extracted from: 50Hertz Transmission GmbH – Report for the Short Financial Year 2010 (*Bericht über das Rumpfgeschäftsjahr 2010 des Konzerns 50Hertz und der 50Hertz Transmission GmbH*) (containing the consolidated financial statements of 50Hertz Transmission GmbH for the Short Financial Year 2010)**



**Extracted from: 50Hertz Offshore GmbH (under its former name Vattenfall Europe Baltic Offshore Grid GmbH)– Annual Report for the Financial Year 2008 (*Bericht über das Geschäftsjahr 2008*) (containing the non-consolidated financial statements of 50Hertz Offshore GmbH for the Financial Year 2008)**



**Extracted from: 50Hertz Offshore GmbH – Annual Report for the Financial Year 2009 (*Bericht über das Geschäftsjahr 2009*) (containing the non-consolidated financial statements of 50Hertz Offshore GmbH for the Financial Year 2009)**

The Short Financial Year 2010 financial statements were produced as a result of the acquisition by the Issuer of 50Hertz Transmission GmbH.

## PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a prospectus supplement as required by Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities.

Each of the Issuer and the Guarantors has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

# RISK FACTORS

*The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. As 50Hertz Offshore GmbH ("**50Hertz Offshore**") is subject to many of the regulatory, environmental, legal and business operational risks to which 50Hertz Transmission GmbH ("**50Hertz**") is subject, references below to such risks relating to 50Hertz and its business also apply to 50Hertz Offshore and its business (as described in "Business Description of 50Hertz Offshore").*

*The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. The Issuer or the Guarantors may be unable to pay interest, principal or other amounts on or in connection with Notes issued under the Programme for other reasons and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.*

## Factors that may affect the Issuer's and the Guarantors' ability to fulfil their obligations under or in connection with Notes issued under the Programme

### The Guarantee will be subject to certain limitations on enforcement

Each Guarantor is organised as a limited liability company under German law (*Gesellschaft mit beschränkter Haftung*). The enforcement of the Guarantee will therefore be limited by virtue of specific limitation language in the Guarantee reflecting the requirement under the capital maintenance rules imposed by §§ 30 and 31 of the German Act regarding companies with limited liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung* - "**GmbH-Act**") if and to the extent that payments under the Guarantee would reduce either Guarantor's net assets (*Nettovermögen*) to an amount less than its stated share capital (*Stammkapital*) or (if its net assets are already lower than its stated share capital) would cause such amount to be further reduced or if and to the extent payments under the Guarantee would deprive either Guarantor of the liquidity necessary to fulfil its financial liabilities to its creditors (§ 64, third sentence, GmbH-Act). These limitations will, to the extent applicable, restrict or entirely exclude the right to receive payment under the Guarantee. See "*Overview of the Programme — Guarantee*".

### The Issuer is a holding company with no material operations and relies on its subsidiaries to provide itself with funds necessary to meet its financial obligations

The Issuer is a holding company with no material, direct operations. The Issuer's principal asset is the equity interests it holds in 50Hertz. As a result, the Issuer's ability to pay interest on and repay principal of the Notes and its other indebtedness is dependent upon the operations of its subsidiaries and the distributions, transfers, advances or other payments of funds the Issuer receives. The Issuer cannot provide any assurance that it will receive sufficient funds to make payments on the Notes when due. The Issuer's subsidiaries are separate and distinct legal entities and, except for the Guarantors pursuant to the Guarantee, they will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividends, distributions, advances, loans or other payments. Accordingly, all risk factors that have an impact on the Guarantors have an impact on the Issuer.

## Factors which are material for the purpose of assessing the regulatory, environmental and legal risks associated with Notes issued under the Programme

### The regulatory framework in Germany governing the tariffs of the Guarantors includes certain factors which may negatively impact the Issuer's ability to meet its debt service obligations

The tariffs charged by 50Hertz as a Transmission System Operator ("**TSO**") are subject to regulation by the German federal regulatory agency, *Bundesnetzagentur (*"**BNetzA**"). The decisions made and the actions taken by the BNetzA under the current regulatory framework may have a negative impact on 50Hertz. In particular, such decisions or actions may be based on false assumptions, defective research or unreasonable efficiency goals and may fail to acknowledge costs which 50Hertz cannot avoid incurring. The BNetzA is under no statutory obligation to ensure the solvency of a TSO in all circumstances and there is no assurance that tariff limits imposed by the BNetzA will allow 50Hertz to generate sufficient revenues, thereby allowing the Issuer to meet its financial obligations.

The primary sources of revenue for 50Hertz are (1) revenues generated through the sale of energy fed in from renewable energy facilities ("**EEG-revenues**") or from combined heating and electricity generation ("**KWKG-revenues**"), (2) recovery of costs (the so called "**EEG-Umlage**" which is regulated by the BNetzA) arising from its obligations with respect to the renewable energy process as set out in the Renewable Energy Act of 2009 (*Erneuerbare Energien Gesetz 2009* — "**EEG 2009**"), and (3) grid tariffs for access to the 50Hertz transmission system. As the impact of EEG-revenues, KWKG-revenues and the EEG-Umlage on 50Hertz's profit is designed to be neutral, 50Hertz primarily derives its profit only from the grid tariffs. These tariffs are subject to regulation by the BNetzA and are based largely on a cost assessment in a "base" year, which is used in the calculation of an annual revenue cap for each 5-year regulatory period. The current regulatory period that came into effect in 2009, based on costs in the base year 2006, will expire in 2013. The revenue cap and efficiency factors for the next regulatory period, which is expected to come into effect in 2014 based on costs in 2011, are unknown. The ultimate revenue cap for the second regulatory period could potentially lead to a material drop in profitability of 50Hertz.

Under the incentive regulation mechanism set by the BNetzA, the annual revenue cap is calculated on the basis of approved costs in a base year (currently 2006), with some costs classified as permanently non-influenceable costs and others as temporary non-influenceable costs and influenceable costs. For the purposes of this incentive regulation mechanism, an efficiency factor (currently based on 50Hertz being deemed 99.6 per cent. efficient as of the start of the first regulatory period in 2009) affects the influenceable costs and a productivity factor (currently 1.25 per cent. for the first regulatory period), together with an inflation factor, affect the temporary non-influenceable costs and influenceable costs during the 5-year regulatory period. If the relevant efficiency and productivity factors are not achieved, there may be a negative impact on the profitability of 50Hertz. Furthermore, the current regulatory framework provides for the use of a "quality factor" for TSOs but the criteria for the quality factor and its implementation mechanism have yet to be prescribed by the BNetzA. There will be an additional negative impact on the profitability of 50Hertz if such quality factor is not met.

A part of the annual revenue cap is based on the recovery of costs associated with 50Hertz's obligations with respect to energy management (ancillary services, grid losses, and redispatch) that may negatively impact the profitability of 50Hertz. The main risks involved in the energy business result from cost increases, in particular with respect to balancing power, procurement of energy volumes to cover grid losses and redispatch costs. Such cost increases may result from volume effects and/or from unforeseen market price increases. The volume effects may be enhanced by the fluctuating feed-in from renewable energy facilities, which need to be compensated for by maintaining a system balance between generation and consumption at all times. While the risks have been reduced by a procedural regulation mechanism set by the BNetzA (the so called "*Freiwillige Selbstverpflichtung (FSV) nach § 11 Abs. 2 ARegV"*) which provides for a bonus and penalty mechanism for the treatment of the pass-through nature of these costs, to the extent costs exceed the benchmark set in a given year, the penalties, although subject to a cap, could negatively impact the profitability of 50Hertz. While the mechanism for the current regulatory period is fixed for ancillary services and grid losses, for redispatch costs it is still subject to approval from 2012 onwards, and furthermore, this mechanism is subject to approval or change in the second regulatory period starting in 2014 and such uncertainty may have a negative impact on the financial results of 50Hertz.

German regulation provides for a specific remuneration regime for transmission network investments called investment budgets ("**IB**"). If costs are incurred within approved investment budgets, these costs are generally considered as non-influenceable costs, which are not subject to the application of the efficiency and productivity factors. Investment projects with an overall volume of approximately €2.24 billion contemplated by 50Hertz are currently approved; with several projects exceeding €880 million still in the approval phase. The interpretation of the regulations with respect to investment budgets is being disputed between the BNetzA and the network operators, including the TSOs and Distribution System Operators ("**DSO**"), and is subject to pending court proceedings. The interpretation of the regulation by the BNetzA is disadvantageous for the network operators since it has a negative effect on the incurred costs that can be included in the revenue caps, which could have a material negative impact on the profitability of 50Hertz. In addition, subject to the timing of investment budgets rolling into the asset base, the treatment of the cost of debt is unclear and can impact remuneration of these investments. Operational costs linked to certain investments are expected to be recognised by the BNetzA at a fixed rate of 0.8 per cent. of the capitalised investment costs of the respective investments and may only be considered as influenceable costs in the revenue cap of the following regulatory periods, which are subject to efficiency and productivity factors.

The operational costs recognised by the BNetzA may not be sufficient to cover actual operational costs and the BNetzA may utilise a different approach in the future. Consequently operational costs may not be fully recovered.

Insufficient return on the capital invested represents a financial risk with respect to both the investments already made and future investments. The return on equity allowed by the BNetzA is regularly not achieved due to the restrictive interpretation of the regulatory framework. With respect to the cost of debt, the allowed cost of debt related to influenceable costs is capped at the lower of the actual cost of debt in the base year or the implied cost of debt based on the 10 year average of the "*Umlaufsrenditen festverzinslicher Wertpapiere inländischer Emittenten*" (10 year average yield of the domestic fixed income securities as published by the Bundesbank) in the base year, while the allowed cost of debt related to investment budgets is capped at the lower of the actual cost of debt or cost of debt as calculated in accordance with a published BNetzA guideline. These caps can result in 50Hertz only partially recovering its actual cost of debt, which may negatively impact the financial results of 50Hertz.

### Mismatch in timing of EEG related revenues and costs may have a negative impact on 50Hertz's liquidity

In accordance with EEG 2009, 50Hertz is obliged to (i) purchase all renewable energy in its control area at fixed rates as set out in §§ 8,16, 35 EEG 2009 and (ii) sell the energy on the spot market of an energy exchange in accordance with § 2 Balancing Mechanism Implementation Ordinance (*Ausgleichsmechanismus-Verordung* — "**AusglMechV**"). The feed-in price paid for renewable energy is usually higher than the spot market prices at which 50Hertz could sell this energy. To recover this difference, 50Hertz receives the EEG-Umlage from end-users via the electricity sales companies. The EEG-Umlage is calculated annually one year in advance based on forecasts for factors such as spot prices and volumes of energy from renewable energy facilities. However, during the course of the year, the volumes and spot prices can differ significantly from the forecasts resulting in positive or negative liquidity requirements for 50Hertz and may have an adverse impact on its cash position. Differences within a 12 month period (from October of one year to September of the next year) between actual costs and actual revenues will be factored into the EEG-Umlage for the following calendar year allowing for full recovery.

**Changes to the EEG cost-sharing mechanism between the TSOs in Germany may have a negative impact on 50Hertz**

Taking into account regional differences in the generation of renewable energy in Germany, EEG 2009 provides for a nationwide equalisation mechanism amongst the TSOs in Germany with respect to the costs incurred to purchase renewable energy at fixed rates in their control area. The four TSOs in Germany currently share the EEG costs amongst themselves based on an agreed mechanism for the current regulatory period, and the lack of such an agreed mechanism in future regulatory periods may have an adverse impact on the profitability of 50Hertz. Furthermore, certain elements of the cost sharing mechanism are currently being discussed with the BNetzA, the outcome of which may have a negative impact on the profitability of 50Hertz.

**50Hertz's obligations under the current laws and regulations in relation to renewable energy facilities may have a negative impact on 50Hertz**

In accordance with the current laws and regulations, 50Hertz is obligated to connect without undue delay all renewable energy facilities in its control area and any delay in such connections may subject 50Hertz to damages claims. In particular, 50Hertz is obliged to construct connections to all offshore wind farms that have started construction before the end of 2015. Due to the lead time in constructing such connections, 50Hertz may incur costs during the period when the completion of the offshore wind farm is still uncertain. Under the present regulation, it is possible that 50Hertz may not be compensated for investments made in respect of offshore wind farms which are delayed or cancelled, and consequently, may suffer losses from such investments. In the case where the offshore wind farm is constructed and ready to commence operation, a delay in providing the connection to the grid by 50Hertz may result in 50Hertz being liable to the offshore wind farm developer, *inter alia*, for the loss of revenues and costs arising from the lack of such connection. Currently, there are no legally binding criteria or precedents for resolving such disputes. In particular, with respect to the grid connection for the Baltic 1 offshore wind farm, 50Hertz is likely to be late in completing the connection and therefore may be subject to damages claims. Management has taken and is taking all steps deemed necessary to minimise any potential damages and, at this point in time, and based on available information, any potential or actual damages are not expected to have a material negative financial impact.

In general, the previously mentioned risks associated with investment budgets apply to connections to both onshore and offshore renewable energy facilities. In the case of offshore wind farms, 50Hertz has agreed a cost sharing mechanism with the other German TSOs. Such cost sharing mechanism may not allow for a full recovery of costs and may have a negative impact on the profitability of 50Hertz.

**Future changes to the regulatory framework may have a negative impact on 50Hertz**

The German regulatory framework governing the activities of 50Hertz is subject to extensive European, national and regional legislation and regulation. The current regulatory framework is based upon, *inter alia*, two European directives, namely the First and the Second Electricity Directives. These directives will be modified and replaced by the Third Energy Package (the "**Third Energy Package**") adopted by the Council of the European Union in 2009 and implemented into law between 2009 and 2012, consisting of a set of directives and regulations relating to the European energy market. Even though 50Hertz proactively tries to anticipate European legislation, new directives and regulations in preparation at the European level or existing regulations and directives awaiting transposition into national law (such as those included in the Third Energy

Package) may always cause uncertainty. The interpretation by the German regulatory authorities and the transposition into German law might have negative impacts on several aspects of the regulatory framework and hence the profitability of 50Hertz.

With respect to the current German regulation, the Third Energy Package includes various parameters and changes to the parameters may have a negative impact on 50Hertz. In addition, the calculation of certain factors of the multi-annual tariff scheme under the current regulation is unclear after the second regulatory period ending 2018 which may negatively impact 50Hertz. Furthermore, 50Hertz's renewable energy obligations could be impacted by the implementation of Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources or further modifications of the current national regulations.

**TSO permit to operate may be revoked or could be modified**

50Hertz is permitted to operate as a TSO in Germany and while this authorisation is not limited in time, it can be revoked by the Energy Authority of the State of Berlin (*Senatsverwaltung für Wirtschaft, Technologie und Frauen (Energiewirtschaft/Energieaufsicht)*) if 50Hertz, *inter alia*, does not have the personnel, technical and financial means to guarantee the continuous and reliable operation of the network in accordance with the applicable legislation. Such revocation of the permit will have a material adverse impact on 50Hertz and the Issuer, including the ability to meet their respective obligations under the Notes. Furthermore, the Third Energy Package will require a so called certification of TSOs with respect to fulfilment of "unbundling" provisions. This certification process is expected to be undertaken by the BNetzA, but since this is a new legal requirement, there is no experience or precedent on the application of this law.

**50Hertz may incur significant costs to manage potential environmental and public health risks and to accommodate city planning constraints**

50Hertz's operations and assets are subject to European, national and regional regulations dealing with, *inter alia*, environmental matters, city planning and zoning, building and environmental permits and rights of way. These regulations are often complex and subject to continual change (resulting in a potentially stricter regulatory framework or enforcement policy). The most significant environmental issues faced by 50Hertz relate to the visual impact of the infrastructure, electromagnetic fields ("**EMF**"), soil pollution, water contamination, noise and waste. Compliance with such regulations may impose significant additional costs on 50Hertz, including expenses relating to the implementation of preventive or remedial measures or the adoption of additional preventive or remedial measures to comply with future changes in laws or regulations. Additional costs may also be incurred by 50Hertz in respect of, *inter alia*, compensation for impact of the infrastructure on the environment, actual or potential liability claims, and the defence of 50Hertz in legal or administrative procedures or the settlement of third party claims. Opposition to actions or programmes in connection with environmental, city planning or zoning matters may require 50Hertz to incur additional costs for enquiries or publicity measures.

The potential influence of EMFs emanating from transmission lines has received growing focus in recent years. Although the current legal requirements as set by the 26th Federal Emission Control Regulation (*26 BImSchV*) are limited, it is possible that the legal environment in that respect may become more restrictive in the future. This may result in 50Hertz incurring additional costs in managing environmental and public health risks or city planning constraints and an increased risk of potential liability claims by affected persons.

### Possible retroactive changes to, or different interpretations of, applicable laws, including tax laws, additional tax assessments, anticorruption laws and antitrust laws, may have a negative impact on the Issuer and the Guarantors

The Issuer and the Guarantors consistently strive to adhere to all laws, regulations and official decisions. However, in some circumstances, especially where a law or regulation is subject to different interpretations, the Issuer and the Guarantors may inadvertently violate their obligations and may be liable for substantial administrative fines. In particular, tax laws and their interpretation by the tax authorities and courts are subject to changes, potentially with retroactive effect. Such changes may have a negative impact on the Issuer and the Guarantors. Furthermore, although tax rules are applied by the Issuer and the Guarantors with accuracy and precision, the Issuer's and the Guarantors' interpretation may not correspond to that of the relevant authorities at the time of potential controls. For instance, the relevant authorities may not accept the tax grouping based on the profit and loss agreements between the Issuer and 50Hertz, and between 50Hertz and 50Hertz Offshore. Tax audits may result in a higher taxable income or in a lower amount of carried forward tax losses being available to the Issuer and the Guarantors.

### Legal proceedings may result in increased financial liabilities for the Issuer and the Guarantors

In the ordinary course of business, various legal claims and proceedings are pending or threatened against the Issuer and the Guarantors. The amounts claimed may be substantial and the Issuer and the Guarantors are unable to predict with certainty the ultimate outcome of such claims and proceedings. In most instances the Guarantors have established provisions for pending litigation, which they believe are adequate, and after counsel advice, it is not expected that the ultimate outcome of any matter currently threatened or pending against 50Hertz will have a material effect on the financial position of the Issuer and the Guarantors. Of particular note is a dispute pending in front of a Danish court since 2007 concerning electricity deliveries over an interconnector between Germany and a neighbouring country. The opposing party claims the right to receive additional payments (approximately €57 million plus interest) under the contractual framework for allegedly increased costs for electricity deliveries due to the $CO_2$ quota system being introduced in 2005. Although the Guarantors have not made provisions in relation to this particular case, should the case be determined adversely to the interests of 50Hertz and the Issuer, the Issuer has the benefit of an indemnity from a counterparty with respect to any payment obligations arising from the litigation. However, should the indemnity be called upon, any payment thereunder will be subject to the counterparty's ability to pay at such time.

## Factors which are material for the purpose of assessing business operational risks associated with the Issuer and the Guarantors

### A reduction in power consumption may have a negative impact on 50Hertz

50Hertz's grid tariffs in any given year are based on a revenue cap and an electricity consumption forecast. Should actual consumption be lower than the forecast, 50Hertz's revenues would be negatively impacted in that year as the variance will only be recovered in future years.

### Changes to the timing and amounts of investments may negatively impact the financial position of 50Hertz

Uncertainties about the timing and size of the investments needed by 50Hertz may have a negative impact on the financing needs of 50Hertz. In addition, the customers of 50Hertz, including the power producers, expect to have access to a reliable level of capacity to dispatch power at all times. Consequently, the inability of 50Hertz to maintain sufficient capacity on the grid and make necessary investments may lead to financial penalties being payable by 50Hertz due to, *inter alia*, damages claims by customers.

**Counterparty credit risk of the customers of 50Hertz and other TSOs may have a negative impact on 50Hertz**

The German legislation does not explicitly provide for rules to alleviate the TSOs from insolvency risks of their customers, including the DSOs paying the network tariffs, the electricity sales companies paying the EEG-Umlage and the traders and electricity suppliers running balancing accounts (*Bilanzkreisverantwortliche*) in the control areas of the TSOs, as well as the other TSOs and their customers. It is unclear whether monies can be recovered through network tariffs, energy law mechanisms or the EEG-Umlage.

**In the event of transmission fluctuations, disruptions, breakdown of the grid, or non-implementation of emergency measures as prescribed by law, 50Hertz may be held liable for damages by its customers and/or third parties or incur additional costs**

Transmission fluctuations, disruptions, system breakdowns or blackouts that affect 50Hertz's network may result in a failure of 50Hertz to maintain a sufficient and reliable grid capacity and to deliver electricity to customers or to inject energy from power generation facilities, and may expose 50Hertz to liability claims and litigation. Such events may be caused by operational hazards or unforeseen events including, but not limited to, an overload of the very high voltage network caused by major unscheduled electricity flows, accidents, breakdowns or failures of equipment or processes, major system and network imbalances, human errors, IT systems and processes failures, intrusions of computer viruses, performance below expected levels of capacity and efficiency, natural events such as heavy storms, thunderstorms, earthquakes or landslides and other unforeseen events. 50Hertz may also be liable if emergency measures required under §13 para 2 of the Energy Act have not been carried out dutifully, unless the event qualifies as *force majeure*. The probability of transmission disruptions, as well as required emergency measures, has increased with the increasing distance between the locations of generation and consumption and the volatility of energy in-feed as a result of, *inter alia*, the priority given to renewable energy facilities. The probability of the occurrence of one or more of the abovementioned events may increase if 50Hertz is unable to make necessary investments in the grid, which can be a result of a number of factors, including liquidity, contractor or material constraints, or if competent authorities or other third parties hinder the approval of the necessary operational procedures and/or investments as proposed in 50Hertz's development plans. In addition, different price areas in Germany, which may be introduced due to measures taken to address capacity congestion in the transmission grids in Germany or as a result of proceedings (such as the ongoing proceedings initiated by the European Union Commission against some member states for failure to comply with rules on congestion management), would interfere with established pricing and balancing mechanisms of 50Hertz and may result in additional costs for 50Hertz.

**A failure of the IT systems and processes or a breach of their security measures may have a negative impact on 50Hertz**

50Hertz's operations depend on IT processes, hardware and software, including glass fibre and copper based communication networks. The reliability and continuity thereof are essential for an efficient and reliable operation of the electricity network. 50Hertz continuously takes important measures to improve its IT processes and hardware, software and network protection (*e.g.* redundancy) but there is no guarantee that important system hardware and software failures, viruses, accidents or security breaches will never occur and these could impair 50Hertz's ability to provide all or part of the services required by law or under the contracts to which it is a party.

**Acts of terrorism, sabotage or crime may adversely affect the operations of the Guarantors**

The Guarantors' electricity network and assets are widely spread geographically and potentially exposed to acts of terrorism, sabotage or crime. Such events could negatively affect the Guarantors' networks or operations and may cause network failures or system breakdowns. Network failures or system breakdowns could, in turn, have a material adverse effect on the Guarantors' financial condition and results of operation, particularly if the destruction caused by acts of terrorism, sabotage or crime are of major importance (*e.g.* through the reduction of revenues and for incurrence of costs for damages due to the unavailability of some parts or all of the network).

**Any decisions made or actions taken within companies in which 50Hertz has minority participation (and thus no control) may result in higher costs, lower revenues or a lower profit margin concerning such companies**

In the course of its business, 50Hertz engages in economic activities with other companies through collaborations or joint ventures, which currently includes minority investments in EMCC European Market Coupling Company GmbH ("**EMCC**") and CAO Central Allocation Office GmbH ("**CAO**"). As 50Hertz does not hold a controlling interest in such joint ventures or collaborations, 50Hertz cannot ensure that all decisions taken within such joint ventures or collaborations are approved by 50Hertz or in its interests. In such cases, the decisions made or actions taken may result in higher costs, lower revenues or a lower profit margin concerning the joint ventures or collaborations.

**Accidents at the Guarantors' facilities and involving the Guarantors' assets may have serious consequences**

Accidents that may occur at the Guarantors' facilities or in connection with the use of certain of the Guarantors' assets may result in harm and death of humans, and other serious consequences. As such, the Guarantors may be exposed to potential claims resulting in significant liabilities, use of financial and management resources and possible harm to their reputation.

**A lack or loss of highly qualified staff may result in insufficient experience and knowhow to meet the strategic objectives**

50Hertz pursues an active human resources policy that aims at maintaining an adequate level of expertise and knowhow in a tight labour market in view of the highly specialised nature of its business. 50Hertz may, however, experience difficulties in attracting and retaining highly qualified staff required to support its operations, implement its investment programme and develop new business fields. Such a lack or loss of highly qualified staff may result in insufficient expertise and knowhow, in unsatisfactory quality levels and in the inability to maintain or operate the grid or complete infrastructure projects on time or meet strategic objectives.

**The Guarantors may not have adequate insurance coverage**

The Guarantors have put into place insurance contracts necessary to operate their business in line with current industry standards. The Guarantors cannot provide an assurance that such insurance will prove to be sufficient and, therefore, adequate insurance may not be available for certain risks whether due to faults, natural disasters, other causes such as damage to overhead lines or sea cables, third party losses, damages or blackout claims in excess of insurance coverage, or losses as a result of terrorism, sabotage, crime etc. Any uninsured financial losses or claims could have a material impact on the business, results of operations and financial condition of the Guarantors.

## Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

**Notes may not be a suitable investment for all investors**

Each potential investor in any Notes 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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes 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 relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; 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.

Some Notes are complex financial instruments and such instruments may be purchased 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 Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

## Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

### *Notes subject to optional redemption by the Issuer*

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

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### *Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

***Partly-paid Notes***

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

***Variable Rate Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

***Inverse Floating Rate Notes***

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

**Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

***Modification and waivers***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

***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 similar income) paid by a person within its jurisdiction to an individual resident 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.

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. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

***Change of law***

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

**Integral multiples of less than €50,000**

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €50,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes 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 a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

**Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

***The market price for the Notes may be volatile***

Historically, the market for investment grade indebtedness has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. It cannot be assured that the market, if any, for the Notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which the potential investor may sell its Notes.

**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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## OVERVIEW OF THE PROGRAMME

*The following overview is a general description of the Programme and is qualified in its entirety by the remainder of this Prospectus and, in relation to the terms and conditions of any Tranche, the applicable Final Terms. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meaning in this overview.*

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| **Issuer** | Eurogrid GmbH |
| **Guarantors** | 50Hertz Transmission GmbH<br>50Hertz Offshore GmbH |
| **Description** | Guaranteed Euro Medium Term Note Programme |
| **Size** | Up to €2,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. |
| **Arrangers** | BNP PARIBAS<br>Dexia Bank Belgium S.A./ N.V., acting under the name of Dexia Capital Markets<br>ING Belgium SA/NV<br>The Royal Bank of Scotland plc |
| **Dealers** | BNP PARIBAS<br>Dexia Bank Belgium S.A./ N.V., acting under the name of Dexia Capital Markets<br>ING Belgium SA/NV<br>The Royal Bank of Scotland plc<br>The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches. |
| **Fiscal Agent** | The Royal Bank of Scotland N.V. |
| **Method of Issue** | The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first |

payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").

**Issue Price**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

**Form of Notes**

The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".

**Clearing Systems**

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

**Initial Delivery of Notes**

On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies**

Subject to compliance with all relevant laws, regulations and

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| | directives, Notes may be issued in any currency agreed between the Issuer, the Guarantors and the relevant Dealers. |
| **Maturities** | Subject to compliance with all relevant laws, regulations and directives, any maturity from one month from the date of issue. |
| **Specified Denomination** | Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).<br>Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. |
| **Fixed Rate Notes** | Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms. |
| **Floating Rate Notes** | Floating Rate Notes will bear interest determined separately for each Series as follows:<br>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (and as amended and updated as at the Issue Date of the first Tranche of the relevant Series); or<br>(ii) by reference to EURIBOR, LIBOR, LIBID or LIMEAN (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.<br>Interest periods will be specified in the relevant Final Terms. |
| **Zero Coupon Notes** | Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest. |
| **Dual Currency Notes** | Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms. |
| **Index Linked Notes** | Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms. |
| **Interest Periods and Interest Rates** | The length of the interest periods for the Notes and the |

applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Redemption**

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

**Redemption by Instalments**

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

**Other Notes**

Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and the prospectus supplement.

**Optional Redemption**

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

**Status of Notes**

The Notes and the Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Guarantors, respectively, all as described in "*Terms and Conditions of the Notes — Status*".

**Guarantee**

The Guarantors have guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes, the Receipts and the Coupons. The payment obligations of the Guarantors under the Guarantee shall at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Guarantors, present and future, save for such exceptions as may be provided by applicable legislation. The maximum amount of the Guarantee and its enforcement may be limited in circumstances that could otherwise give rise to personal liability of the managing directors of the Guarantors under §§ 30, 31 and 64 of the German Act regarding companies with limited liability (*Gesetz betreffend die Gesellschaften mit beschränkter*

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| | *Haftung*). |
| **Negative Pledge** | See "*Terms and Conditions of the Notes — Negative Pledge*". |
| **Cross Acceleration** | See "*Terms and Conditions of the Notes — Events of Default*". |
| **Ratings** | The rating of certain series of Notes to be issued under the programme may be specified in the applicable Final Terms.<br><br>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. |
| **Early Redemption** | Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*". |
| **Withholding Tax** | All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Germany, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes — Taxation*". |
| **Governing Law** | English law. |
| **Listing and Admission to Trading** | Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted. |
| **Redenomination, Renominalisation and/or Consolidation** | Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms. |
| **Selling Restrictions** | The United States, the European Economic Area (including the United Kingdom) and Japan. See "*Subscription and Sale*".<br><br>The Notes constitute Category 2 securities for the purposes of Regulation S under the United States Securities Act of 1933, as amended.<br><br>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not |

constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

# TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 8 October 2010 between the Issuer, the Guarantors, The Royal Bank of Scotland N.V. as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 8 October 2010 executed by the Issuer and the Guarantors in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

## 1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 2 No Exchange of Notes and Transfers of Registered Notes

### (a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

### (b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

### (c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2 (b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge**

Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

## 3 Guarantee and Status

(a) **Guarantee**

The Guarantors have unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes, the Receipts and the Coupons. Their obligations in that respect (the "**Guarantee**") are contained in the Deed of Covenant.

(b) **Status of Notes and Guarantee**

The Notes and the Receipts and Coupons constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons and of the Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantors respectively, present and future.

## 4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) neither the Issuer nor any Guarantor will create or have outstanding, and the Issuer and each Guarantor will procure that no Subsidiary will create or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Issuer's obligations under the Notes and the Coupons or, as the case may be, each Guarantor's obligations under the Guarantee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In this Condition:

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

"**Subsidiary**" means, at any particular time, a company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer or either Guarantor and/or one or more of their respective Subsidiaries. For a company to be "controlled" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that company.

## 5 Interest and other Calculations

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Dates are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Dates are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference

Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) **Rate of Interest for Index Linked Interest Notes**

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(h) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$D_1$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$D_2$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30

(vii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified hereon;

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

“**Interest Period**” means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified hereon;

“**ISDA Definitions**” means the 2006 ISDA Definitions, as amended, supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

“**Reference Rate**” means the rate specified as such hereon;

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified hereon;

“**Specified Currency**” means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 6 Redemption, Purchase and Options

### (a) Redemption by Instalments and Final Redemption

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

### (b) Early Redemption

(i) *Zero Coupon Notes*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer or, if the Guarantee were called, the Guarantors, have or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Germany or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantors, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantors, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer (or of either of the Guarantors, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantors, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) **Purchases**

Each of the Issuer, the Guarantors and their Subsidiaries (as defined in the Agency Agreement) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) **Cancellation**

All Notes purchased by or on behalf of the Issuer, the Guarantors or any of their Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

## 7 Payments and Talons

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Laws**

All payments are subject in all cases to any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantors and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantors and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantors reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer and the Guarantors shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantors in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Germany or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantors shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders 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 with respect to any Note, Receipt or Coupon:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Germany other than the mere holding of the Note, Receipt or Coupon; or

(b) **Lawful avoidance of withholding**: to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or

(c) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(d) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made 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 in order to conform to, such Directive; or

(e) **Payment by another Paying Agent**: (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

## 9 Prescription

Claims against the Issuer and or the Guarantors for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable, unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) **Non-Payment**: default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) **Breach of Other Obligations**: the Issuer or either Guarantor does not perform or comply with any one or more of its other obligations in the Notes or either Guarantor does not perform or comply with any of its obligations arising from the Guarantee, which default is incapable of remedy or (if capable of remedy) is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness (whether being principal, premium, interest or other amounts) of the Issuer or either Guarantor or any of their respective Subsidiaries (as defined in the Agency Agreement) for or in respect of moneys borrowed or raised is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or either of the Guarantors or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €40,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process relating to an aggregate amount exceeding €25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day on which this paragraph operates) is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or the Guarantors or any of their respective Subsidiaries and is not discharged or stayed within 45 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or either of the Guarantors or any of their respective Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(f) **Insolvency**: any of the Issuer or the Guarantors or any of their respective Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts when they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts when they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Guarantors or any of their respective Subsidiaries; or

(g) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or either of the Guarantors or any of their respective Subsidiaries, or the Issuer or either of the Guarantors or any of their respective Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or in respect of the whole or a substantial part of its undertaking or assets or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or either of the Guarantors (as the case may be) or another of their respective Subsidiaries; or

(h) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, either of the Guarantors or any of their respective Subsidiaries; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer or either of the Guarantors to perform or comply with any one or more of its obligations under any of the Notes or, in the case of either Guarantor, under the Guarantee; or

(k) **Analogous Events**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or

(l) **Guarantee**: the Guarantee is not (or is claimed by either of the Guarantors not to be) in full force and effect.

## 11 Meeting of Noteholders and Modifications

### (a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. 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 Noteholders.

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.*

(b) **Modification of Agency Agreement**

The Issuer and the Guarantors shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## 12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

## 14 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Luxembourg Stock Exchange, published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be *the Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. 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 notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

## 15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or either of the Guarantors or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or either of the Guarantors shall only constitute a discharge to the Issuer or the relevant Guarantor, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer, failing whom the Guarantors, shall indemnify it against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantors, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

## 16 Contracts (Rights of Third Parties) Act 1999

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

## 17 Governing Law and Jurisdiction

### (a) Governing Law

The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### (b) Jurisdiction

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantors irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### (c) Service of Process

Each of the Issuer and the Guarantors irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer or the Guarantors). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantors irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

# SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

## 1 Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary (as defined below).

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary or the Common Safekeeper, as the case may be, may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

## 2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

## 3 Exchange

### 3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined in paragraph 3.6 below):

(i) if the relevant Final Terms indicates that such temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (see "*Overview of the Programme — Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

### 3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any 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 in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### 3.3 Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant 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 Notes is not paid when due; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### 3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

### 3.5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### 3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 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 Fiscal Agent is located and in the city in which the relevant clearing system is located.

## 4 Amendment to Conditions

The temporary Global Notes and permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

### 4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange

Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(e) will apply to Definitive Notes only. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

### 4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8(e)).

### 4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

### 4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

### 4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantors or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

### 4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

### 4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and, where the permanent Global Note is a CGN, stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

### 4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

### 4.9 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer and the Guarantors under the terms of a Deed of Covenant executed as a deed by the Issuer and the Guarantors on 8 October 2010 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be.

### 4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series 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 or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## 5 Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

# USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

# BUSINESS DESCRIPTION OF ISSUER

## 1 Description of the Issuer

The Issuer operates under the laws of Germany and was incorporated as a limited liability company on 26 February 2010. The Issuer has its corporate seat in Cologne, Germany and its registered office is at Eichenstrasse 3A, 12435 Berlin. The Issuer is registered with the commercial register of the Lower Court of Cologne under registration number HRB 68646. The telephone number of the Issuer is +49-30-5150-3201.

**Objects**

Article 2 of the Issuer's articles of association (as translated from the German original), regarding its objects, reads as follows:

"2.1 The object of the Company shall be to acquire, hold and manage participations in other businesses, in particular in the transmission grid operation sector.

2.2 The Company may enter into all transactions and take all measures related to or useful for the object of the Company."

## 2 Ownership

The Issuer is indirectly owned by Elia System Operator SA and IFM Global Infrastructure Fund (the "**IFM Fund**") a fund managed by Industry Funds Management Pty Ltd, (together, the "**Shareholders**") through Eurogrid International CVBA. The Issuer acquired 50Hertz from Vattenfall Europe AG on 19 May 2010.

Elia System Operator SA ("**Elia**") is a public limited liability company incorporated in Belgium. Elia's core business is the operation, maintenance and development of very high voltage (380 kV, 220 kV and 150 kV) and high voltage (70 kV, 36 kV and 30 kV) networks to maintain a reliable electricity flow from electricity producers, whether located in Belgium or elsewhere in Europe, to distributors and large corporate clients. Elia owns 100 per cent. of the Belgian very high voltage electricity network and owns (or has the right to use) approximately 94 per cent. of the Belgian high voltage electricity network. In addition to these core activities, Elia aims at improving the functioning of the open electricity market by acting as a market facilitator, both in the context of a single European electricity market as well as in the framework of the integration of renewable energy, in accordance with national and European policies.

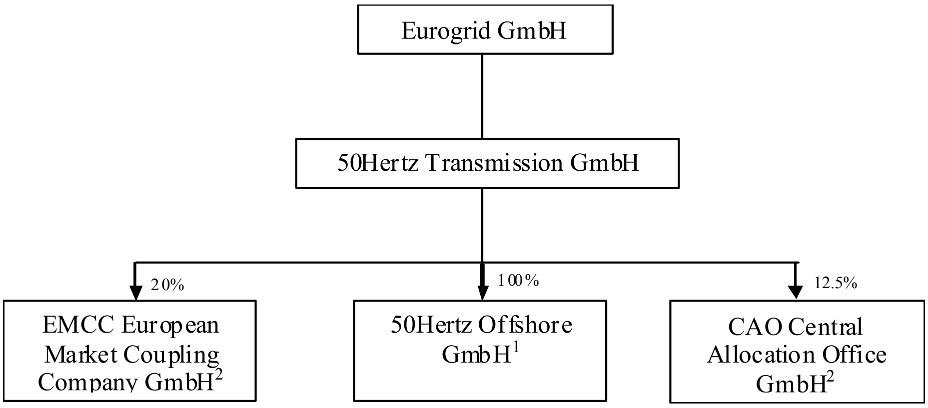
Industry Funds Management Pty Ltd ("**IFM**") is an investment management company with over €13 billion funds under management invested across infrastructure, private equity, private debt, cash and publicly traded equities. IFM acts as the advisor to the IFM Fund, which owns investments in various infrastructure assets across Europe and North America through its trustee Codan Trust Company (Cayman) Limited. In addition to 50Hertz, the IFM Fund's other investments in Europe include Wales and West Utilities, a gas distribution network in the UK, Anglian Water Group, a regulated water utility in the UK, Arqiva, a telecommunications provider in the UK and Dalkia Lodz, a district heating network in Poland. The IFM Fund also owns investments in North America, including DQE Holdings, a regulated transmission and distribution utility in Pittsburgh, Colonial Pipeline Company, a refined products pipeline, and North America Energy Alliance LLC, a portfolio of predominantly gas-fired generation plants in the Northeast of the United States.

## 3 Capitalisation and Group Structure

The capital reserve of the Issuer is €464,600,000. The registered share capital of the Issuer amounts to €25,000 comprising of one share with a nominal amount of €25,000, which is owned by Eurogrid

International CVBA, a company incorporated in Brussels, Belgium and registered under 0823.637.886 RPR. The shares of Eurogrid International CVBA are ultimately owned 60 per cent. by Elia and 40 per cent. by the IFM Fund.

The legal structure of the Issuer's group as of the date of the Prospectus is shown below:




[1] 50Hertz Offshore GmbH was established in 2007 to facilitate the grid connection of the offshore wind farms to the control area of 50Hertz and operate these connections on behalf of 50Hertz as required under § 17 (para 2a) of the EnWG in accordance with the 2006 Infrastructure Planning Acceleration Act (*Infrastrukturplannungsbeschleunigungsgesetz 2006*).

[2] Both CAO Central Allocation Office GmbH and EMCC European Market Coupling Company GmbH are joint cross-border service companies established by 50Hertz with other European TSOs, and in the case of EMCC European Market Coupling Company GmbH together with power exchanges. Both companies are engaged in congestion management services for cross-border exchanges in electricity.

## 4 Corporate Governance

The Issuer is controlled and supervised by the Shareholders and a Board of Directors comprising two managing directors (*Geschäftsführer)* who are representatives of the Shareholders. Their details are shown below:

| **Name** | **Position** | **Position outside Eurogrid** |
|---|---|---|
| Bert Maes | Managing Director | Investor Relations Manager, Elia System Operator |
| Werner Kerschl | Managing Director | Investment Director, Industry Funds Management (UK) Ltd |

The business address of both managing directors is Eichenstrasse 3A, 12435 Berlin, Germany.

## 5 Conflicts

There are no potential conflicts of interest between any duties to the Issuer of its directors and their private interests or other duties.

## 6 Business

The Issuer is a holding company and as such, its principal asset is its investment in 50Hertz and its subsidiaries. See "*Business Description of Guarantors - 50Hertz Transmission GmbH"* and *"Business Description of Guarantors - 50Hertz Offshore GmbH"* for a description of 50Hertz and its subsidiaries, including 50Hertz Offshore.

## 7 Financial Policy

The Issuer intends to balance the objective of generating a return on invested capital at least equal to the regulated return at 50Hertz with maintaining a financial profile to remain comfortably within the investment grade category. The Issuer has a €350 million term loan currently outstanding, which is expected to be fully repaid from the net proceeds of the Notes issued under the Programme. In addition, the Issuer currently has access to credit facilities with total aggregate commitments of €500 million (some or all of which may be drawn at any particular time). These credit facilities provide access to additional liquidity for the Issuer, enabling it to on-lend amounts to the Guarantors and their subsidiaries and affiliates for purposes including capital expenditure, working capital requirements and EEG balancing transactions of the Group. The total aggregate commitments of, and the amounts outstanding pursuant to, the credit facilities may vary over time depending on the liquidity needs of the Issuer and the Guarantors. The Guarantors of the Notes guarantee the obligation of the Issuer under such facilities.

## 8 Financial Statements

The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2010. The Issuer will not prepare interim financial statements.

The auditors of the Issuer are PricewaterhouseCoopers of Lise-Meitner-Str 1, Berlin 10589.

## BUSINESS DESCRIPTION OF GUARANTORS – 50HERTZ TRANSMISSION GMBH

### 1 Business Description of 50Hertz Transmission GmbH

50Hertz operates under the laws of Germany and was incorporated as a limited liability company on 10 October 2001. The company has its corporate seat in Cologne, Germany and has its registered office at Eichenstrasse 3A, 12435 Berlin. 50Hertz is registered in the commercial register at the local court (*Amtsgericht*) of Charlottenburg under registration number HRB 84446 B. The telephone number of 50Hertz is +49-30-5150-0.

### 2 Capitalisation Structure

The registered share capital of 50Hertz amounts to €200,000,000 comprising of four shares with nominal values of €25,000, €149,975,000, €49,000,000 and €1,000,000, respectively. All four shares have been issued and fully paid for, and are owned by the Issuer.

### 3 Corporate Governance

50Hertz is controlled and supervised by the Issuer and a co-determined supervisory board (*Aufsichtsrat*) consisting of six members. In accordance with the articles of association of 50Hertz, two of the supervisory board members are employee representatives. The remaining four members, one of whom is nominated by the trade union IG BCE, are elected by the Shareholders.

**Supervisory Board**

The members of the supervisory board of 50Hertz are as follows:

| Name | Position | Position outside 50Hertz | Business Address |
|---|---|---|---|
| Daniel Dobbeni | Chairman | Chief Executive Officer of Elia System Operator SA | Keizerslaan - Bd de l'Empereur 20, B – 1000 Brussels, Belgium |
| Ulrich Freese | Vice Chairman | Vice chairman of the trade union IG BCE (*Industriegewerkschaft Bergbau, Chemie, Energie*) | Industriegewerkschaft Bergbau, Chemie, Energie, Königsworther Platz 6, 30167 Hannover, Germany |
| Jacques Vandermeiren | Member | Chief Corporate Officer of Elia System Operator SA | Keizerslaan - Bd de l'Empereur 20, B – 1000 Brussels, Belgium |
| Florian Guddat | Member | None | 50Hertz Transmission, Eichenstrasse 3A, 12435 Berlin, Germany |
| Werner Kerschl | Member | Investment Director, Industry Funds Management (UK) Ltd | Industry Funds Management (UK) |

| | | | |
|---|---|---|---|
| | | | Ltd, Tower 42, Level 10, Leaf C, 25 Old Broad Street, London EC2N 1HQ, United Kingdom |
| Dr. Lutz Pscherer | Member | None | 50Hertz Transmission, Eichenstrasse 3A, 12435 Berlin, Germany |

**Management Board**

50Hertz has an experienced management team with a long service record in the electricity industry. The company is externally represented by two managing directors (*Geschäftsführer*) jointly, or one managing director jointly with the holder of a commercial power of attorney (*Prokura*). The managing directors are appointed and removed by the supervisory board of 50Hertz. At least one managing director (*Arbeitsdirektor*) is an employees' representative to be nominated by IG BCE. Any additional managing director(s) are nominated by the Shareholders.

The current managing directors of 50Hertz are as follows:

| **Name** | **Position** | **Position outside 50Hertz** |
|---|---|---|
| Boris Schucht | Chief Executive Officer | None |
| Lars Bespolka | Chief Financial Officer | Investment Director, Industry Funds Management (US) Ltd<br>Member of the Board of Managers of North American Energy Alliance Holdings, LLC (and its subsidiaries) |
| Wolfgang Neldner | Chief Technical Officer | Member of the Supervisory Board of SAG Group GmbH. Member of the Technical Advisory Board of Alpiq Anlagentechnik GmbH<br>Member of *Forschungsgesellschaft für elektrische Anlagen und Stromwirtschaft e. V.*<br>Member of the Advisory Committee on Energy of the Federal State of Brandenburg<br>Member of the Advisory Committee on Energy of the Federal State of Saxony<br>Member of *Innovationszentrum Energy TU Berlin* |
| Hans-Jörg Dorny | Chief Human Resources Officer | President of Vattenfall Europe *Unterstützungskasse e. V.* |

The business address of all managing directors is Eichenstrasse 3A, 12435 Berlin, Germany.

In addition, the corporate governance arrangements at 50Hertz are also driven by a profit and loss transfer agreement between 50Hertz and its parent company, the Issuer, effective as of June 2010. The aim of the profit and loss agreement is to create a fiscal unity between 50Hertz and the Issuer for trade and corporate tax purposes. Pursuant to the profit and loss transfer agreement, 50Hertz is obliged to transfer its profits to the Issuer and in return, the Issuer is obliged to compensate 50Hertz (in accordance with the provisions of the German Stock Corporation Act (§ 302 *Akteingesetz*)) for any annual losses 50Hertz incurs during the term of the agreement and subject to the terms of the profit and loss agreement. The agreement is valid for an unlimited period of time and may only be terminated after five years with a one month notice period prior to the end of a financial year of 50Hertz.

On 19 May 2010 the Issuer, 50Hertz and 50Hertz Offshore entered into a German law cash pool agreement (the "**Cash Pool Agreement**"). The purpose of the Cash Pool Agreement is to optimise the treasury activities (cash, interest, foreign exchange, financing and investment management) within these three companies. Each Guarantor owes ongoing information disclosure duties to the Issuer (including periodically informing the Issuer of its ongoing financial position and of the occurrence of any extraordinary risks or a material deviation from its planned liquidity, revenue or profit levels) and the Issuer has corresponding information disclosure duties to the Guarantors. In addition, the Issuer has an obligation to inform the other parties about new participations or retirement of any cash pool participant. There is no fixed termination date for the Cash Pool Agreement. A prerequisite for participation in the Cash Pool Agreement is that the share capital of the participating company is fully paid. In addition, the continued participation of a company in the Cash Pool Agreement is only possible if the company does not have negative equity, or if the company can recover its losses under a profit and loss transfer agreement. Failure to meet these conditions would trigger a right to terminate participation.

## 4 Conflicts

There are no potential conflicts of interest between any duties to 50Hertz of its directors and their private interests or other duties. RDA9 – 9.2

## 5 Regulatory Framework

### 5.1 Relevant Legislation

The German legal framework for electricity markets is laid down in various pieces of legislation. The key law is the German Energy Act (*Energiewirtschaftsgesetz* — "**EnWG**"), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is supported by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current regime of incentive regulation, regulatory accounting methods and network access arrangements, including:

- The Ordinance on Electricity Network tariffs 2005 (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung* — "**StromNEV**")), as amended from time to time, which establishes, *inter alia*, principles (*Grundsätze*) and methods for the network tariff calculations and further obligations of network operators;
- The Ordinance on Electricity Network Access 2005 (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzzugangsverordnung* — "**StromNZV**")), as amended from time to time, most recently by Article 2, first paragraph of the Ordinance of 17 October 2008, which, *inter alia*, sets out the further detail on how to grant access to the transmission systems grids (and other types of grids) by way of establishing the balancing amount system (*Bilanzkreissystem*), scheduling of electricity deliveries, control energy and further general

obligations, *e.g.* capacity shortage (*Engpaßmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain network operators to manage the Bilanzkreissystem for renewable energy; and

- The Ordinance on Incentive Regulation 2007 (*Verordnung über die Anreizregulierung der Energieversorungsnetze* (*Anreizregulierungsverordnung* — "**ARegV**")), as amended from time to time, which sets out the basic rules for incentive regulation of TSOs and other network operators (as further described below in "*Tariff Setting in Germany*"). It also describes in general terms how to benchmark efficiency, which costs enter the efficiency benchmarking, the method of determining inefficiency and how this translates into yearly targets for efficiency growth.

### 5.2 Other TSO obligations in Germany

All TSOs in Germany are subject to a number of other obligations as a result of, *inter alia*, the following laws and ordinances:

- *Connection obligations in respect of power generations facilities*: The EnWG sets out the general rules for connection of power generation facilities. According to these rules, the German TSOs must connect power generation facilities to their network on technical and economic conditions that are appropriate, non-discriminatory, transparent, and no less favourable than the network operator would apply to itself. TSOs can refuse a connection if they prove that the connection is not possible or unreasonable for operational, technical or economic reasons. The details of the procedures are laid down, *inter alia*, in the *Kraftwerks-Netzanschluss-Verordnung* ("**KraftNAV**"). Furthermore, according to §17(2a) EnWG, TSOs are also obligated to connect at their expense offshore wind farms for which construction starts prior to 31 December 2015, and the costs incurred in connection with this obligation are shared amongst the TSOs. In addition, the TSOs are obligated to compensate offshore wind farm operators for their planning permission costs up until 17 December 2006 and again, these costs are shared amongst all TSOs;

- *EEG and AusglMechV obligations*: To promote the use of renewable energy facilities, the Renewable Energy Act 2009 ("**EEG 2009**") provides for a system of fixed tariffs for electricity generated from renewable sources. The TSOs have to purchase the energy generated by renewable energy facilities connected to their network and pay such fixed tariffs to the plant operators. Taking into account regional differences in the generation of renewable energy, the EEG provides for a nationwide equalisation mechanism amongst the TSOs for the costs associated with this obligation. As a result, the four TSOs in Germany share these costs amongst themselves based on an agreed mechanism, technical proceedings and necessary information exchange. On 17 July 2009, a countrywide balancing mechanism was published (*Verordnung zur Weiterentwicklung des bundesweiten Ausgleichsmechanismus — "***AusglMechV**") which was supplemented on 1 January 2010 by the Balancing Mechanism Implementation Ordinance, "AusglMechAV". Under this new ordinance, the TSOs must sell the infeed from renewable energy facilities on the day-ahead or intraday markets of a power exchange, which typically has been the Energy Power Exchange in Leipzig. The costs related to meeting the EEG obligations, including the associated costs of managing and financing them, are treated as pass-through costs. In cases when there is a difference between actual costs and actual revenues in a given year, the net costs are recovered in the following years; and

- *Combined Heat and Power Law ("**CHP**" law or "**KWKG**"):* On 6 June 2008, the German lower house passed a new version of the CHP law (KWKG 2009). The stated purpose of the law is "to make a contribution" to increasing electricity production from Combined Heat and Power (CHP) plants or cogeneration in Germany towards 25 per cent. of total electricity production. The law came into effect on 1 January 2009 and defines a support mechanism for CHP plants and certain newly built or expanded heat networks. The law places a duty on the German TSOs to connect certain eligible types of CHP plants, to prioritise the feed-in of their electricity and to compensate the CHP with a surcharge. The DSOs pass on the cost of this surcharge (less avoided network charges) to the upstream TSOs who share them pro rata to volumes consumed by final consumers. The equalised costs are passed back to the downstream networks. Final customers pay the network charges plus the equalised surcharge.

### 5.3 Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the Federal Network Agency, (*Bundesnetzagentur* — "**BNetzA**"), in Bonn for network systems to which over 100,000 network users are directly or indirectly connected and the specific regulatory authorities in the respective federal states for network systems to which less than 100,000 network users are directly or indirectly connected. The regulatory agencies are, *inter alia*, in charge of ensuring non-discriminatory third-party access to networks and monitoring the use-of-system tariffs levied by the TSOs. 50Hertz and 50Hertz Offshore are subject to the authority of the BNetzA.

### 5.4 Tariff Setting in Germany

A new tariff regulation mechanism was established in Germany by ARegV. According to the ARegV, from 1 January 2009, network tariffs are defined in order to generate a pre-defined "revenue cap" as determined by the BNetzA for each TSO and for each regulatory period. The revenue cap is principally based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. The network operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, and the first regulatory period started on 1 January 2009 and will end on 31 December 2013. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under certain fixed circumstances that are accounted for in the relevant laws) are allowed to agree to individual tariffs according to § 19 StromNEV (for example, in the case of sole use of a network asset). The BNetzA has to approve such individual tariffs.

For the purposes of the revenue cap, the costs incurred by a network operator are classified into two categories as follows:

- Permanently non-influenceable costs ("**PNIC**"): these costs are generally direct pass through costs to customers and are recovered in full, albeit with a two year time lag. The cost items recognized in the PNIC are defined in the ARegV and include a select number of allowed cost items, such as worker council costs, operational taxes, cross-border transmission capacity auction revenues. In addition, the capital investments that have been allowed in the investment budgets (IB) are also considered as PNIC until certain conditions are fulfilled and the investments become a part of the regulated asset base. The allowance for investment budgets within PNIC includes remuneration for return on equity (based on a cap of 40 per cent.), cost of debt (although subject to a cap), depreciation, imputed trade tax, and operational expenditure (currently at a fixed rate of 0.8 per cent. of the capitalised investment costs of the respective recognised investments). Furthermore, the costs relating to ancillary services, grid losses and re-dispatch costs are also considered as PNIC. These costs are included in the revenue cap based on a procedural regulation mechanism set by the BNetzA in accordance with § 11 Abs. 2 ARegV (FSV) that provides an incentive to a network operator to outperform the planned costs with a bonus and penalty mechanism. The costs are based on planned costs (taking into account the evolution of volumes needs and evolution of prices) instead of incurred costs and, as such, only the productivity factor is applicable to such costs. While the mechanism for the current regulatory period is fixed for ancillary services and grid losses, for redispatch costs it is still subject to approval from 2012 onwards, and furthermore, the entire mechanism is subject to approval or change in the second regulatory period starting 2014.

- Temporary non-influenceable costs ("**TNIC**") and influenceable costs ("**IC**"): The TNIC are included in the revenue cap, taking into account an annual adjustment for inflation and a general productivity factor for the industry (1.25 per cent. per annum in the first regulatory period). The IC are also included in the revenue cap and are adjusted annually for inflation and a general productivity factor, but in addition, IC are also subject to an individual efficiency factor (with 50Hertz being deemed 99.6 per cent. efficient as of the start of the first regulatory period in 2009). The efficiency factor provides an incentive to the TSO to reduce or eliminate the inefficient costs over the course of the regulatory period. In addition the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for such a factor is yet to be prescribed by the BNetzA. Both TNIC and IC include the capital costs (i.e. remuneration for return on equity (based on a cap of 40 per cent.), cost of debt (although subject to a cap), depreciation, and imputed trade tax for assets which are included in the base year and do not qualify as PNIC.

In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations, subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income (see "*Other TSO obligations in Germany*").

With regard to return on capital, the BNetzA provides separate revenue allowances for the return on equity and cost of debt. For the allowed return on equity, which is included in the TNIC/IC for assets belonging to the regulatory asset base and the PNIC for assets approved in investment budgets, the return on equity for the first regulatory period is set at 7.56 per cent. for investments made before 2006 and 9.29 per cent. for investments made since 2006, based on 40 per cent. of the total asset value regarded as "financed by equity" with the remainder of the investment treated as "quasi-debt". The return on equity is calculated before corporate tax and after imputed trade tax. With respect to the cost of debt, the allowed cost of debt related to TNIC/IC is capped at the lower of the actual cost of debt in the base year or the implied cost of debt based on the 10 year average of the *Umlaufsrenditen festverzinslicher Wertpapiere inländischer Emittenten* (yield of the domestic fixed income securities as published by the Bundesbank) in the base year, while the allowed cost of debt related to investment budgets is capped at the lower of the actual cost of debt or cost of debt as calculated in accordance with a published BNetzA guideline.

### 5.5 European Regulation and Laws

The activities of 50Hertz are influenced by not only the regulatory framework in Germany, but also by European Union regulations and laws. In respect of electricity, the Third Energy Package that was adopted in 2009 includes a new electricity directive (Directive 2009/72/EC, the "**Third Electricity Directive**") and a new regulation on Cross-Border Exchanges (Regulation 714/2009). The Third Energy Package also includes a regulation establishing an agency for the Cooperation of Energy Regulators (Regulation 713/2009), which is entitled to handle electricity matters. The Third Energy Package will enter into force, and the Third Electricity Directive has to be implemented into national law, by March 2011. Currently, the Second Electricity Directive (Directive 2003/54/EC) still applies.

For transmission activities, Member States are required by EU law to implement provisions regarding (i) the appointment of the TSOs, (ii) the separation of generation and supply activities from the operation of the network (the so-called "unbundling"), (iii) the network access and (iv) the creation of independent regulators.

The so-called SOS-directive (Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investment) establishes measures aimed at safeguarding security of electricity supply so as to ensure the proper functioning of the internal market for electricity and to ensure:

- an adequate level of generation capacity;
- an adequate balance between supply and demand; and
- an appropriate level of interconnection between Member States for the development of the internal market.

The directive establishes a framework within which Member States are to define transparent, stable and non-discriminatory policies on the security of electricity supply which are compatible with the requirements of a competitive internal market for electricity. This includes:

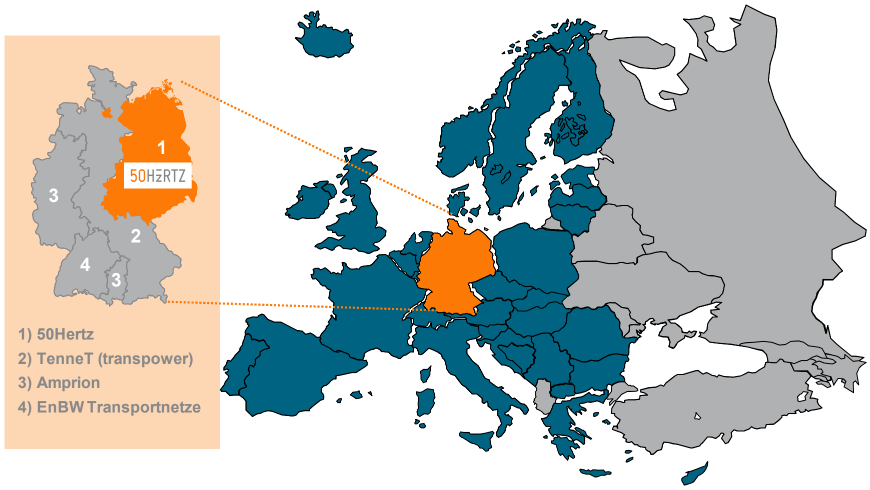
- Member States establishing a regulatory framework that: (a) provides investment signals for both the TSOs and DSOs to develop their networks in order to meet foreseeable demand from the market; and (b) facilitates maintenance and, where necessary, renewal of their networks;
- Member States requiring transmission system operators to maintain an appropriate level of operational network security. Moreover, Member States or their competent authorities shall ensure that transmission and, where appropriate, distribution system operators set and meet quality of supply and network security performance objectives; and
- public service obligations resulting from the Renewables Energy Directive (Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC), which establishes a common framework for the promotion of energy from renewable sources. It sets mandatory national targets for the overall share of energy from renewable sources in gross final consumption of energy and for the share of energy from renewable sources in transport. It lays down rules relating to statistical transfers between Member States, joint projects between Member States and third countries, guarantees of origin, administrative procedures, information and training, and access to the electricity grid for energy from renewable sources. It establishes sustainability criteria for biofuels and bioliquids.

# 6 Business Overview

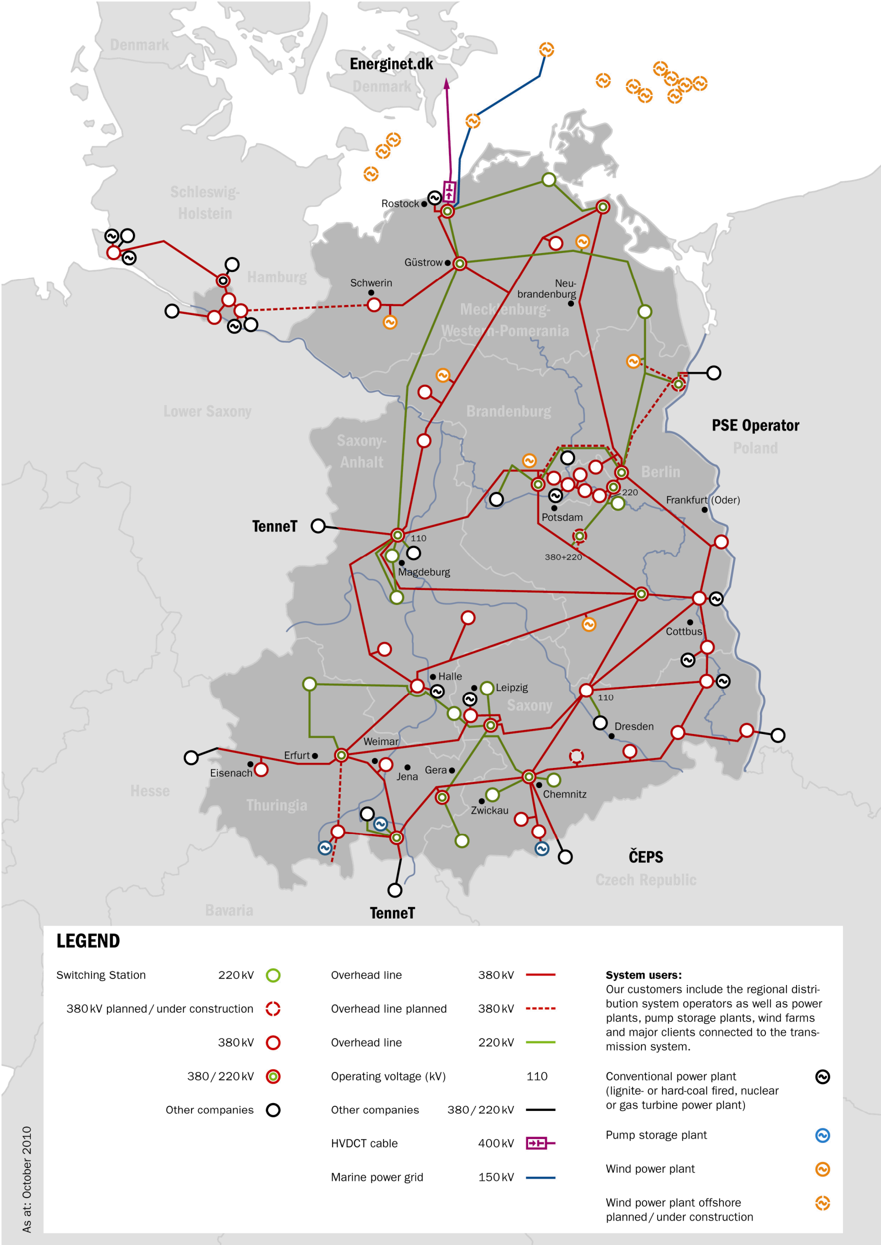
## 6.1 Introduction

50Hertz is one of four TSOs in Germany that owns, operates, maintains and develops a 380 kV — 220 kV transmission network in an area covering the five former Eastern German states of Thuringia, Saxony, Saxony-Anhalt, Brandenburg and Mecklenburg-Western Pomerania as well as Berlin and Hamburg. 50Hertz's control area covers approximately 109,000 km² with more than 18 million inhabitants and companies contributing approximately 20 per cent. of Germany's gross domestic product. 50Hertz is the second largest TSO in Germany after TenneT TSO GmbH ("**TenneT**") (formerly transpower stroműbertragungs GmbH) in terms of total control area and has the youngest asset base among the German TSOs. In addition, 50Hertz's network is situated uniquely at the crossroads between the West and North Eastern European electricity markets due to the central location of its very high voltage network between Scandinavia, Poland, the Czech Republic and Central Western Europe. For the financial year ended 31 December 2009, 50Hertz reported assets of €1,910.8 million. The operations of 50Hertz generated a turnover of €4,171.8 million and cashflow from operating activities of €45.4 million for the same period. The total number of employees of 50Hertz as at 30 June 2010 was 629.

50Hertz's location within Europe and Germany are shown below:




A map with the 220/380 kV grid operated by 50Hertz is shown below:




Under the German legal and regulatory framework, 50Hertz is obligated to perform the following services:

- *Operate a safe, reliable and efficient transmission grid on a non-discriminatory basis*: 50Hertz has to maintain and develop its grid meeting the demands of its customers to the extent this is economically reasonable. In particular, the TSOs have to contribute to supply security by providing appropriate transmission capacity and system reliability;

- *Provide grid connection to and transmission of electricity through its high voltage grid*: 50Hertz is obligated to provide physical connection to its grid to final customers, level or downstream electricity supply grids and lines, as well as generation facilities (which may have to be given priority in the event of congestion) subject to technical and economic conditions that are appropriate, non-discriminatory, and transparent. In addition, and in accordance with regulated third party access ("**TPA**") rules, 50Hertz must also grant TPA to their grid on an economically reasonable, non-discriminatory and transparent basis.

- *Provide preferential grid connection to, and feed-in electricity produced from renewable energy sources or cogeneration plants*: With regards to electricity generated from renewable energy facilities, TSOs in Germany are under the obligation to optimise, amplify and expand their grid and, as far as economically reasonable, to ensure the purchase, transmission and distribution of such electricity. Accordingly, 50Hertz is obligated to connect without undue delay all renewable energy facilities in its control area to its transmission grid and any delay in such connections may subject 50Hertz to damages claims. In particular, 50Hertz is obligated to construct connections to all offshore wind farms that have started construction before the end of 2015 and has a cost sharing mechanism with the other German TSOs in place for such costs;

- *Provide system service*: 50Hertz has the responsibility to maintain a secure and reliable energy supply system. The development of the German electricity market in recent years has led to a disproportionate share of energy being consumed in the southern and western parts of Germany, whereas the majority of the renewable energy generation is expected to be located in the northern and eastern parts of Germany. Taking into account these regional differences in the generation of renewable energy and fluctuating feed-in from renewable energy facilities, 50Hertz is focused on maintaining a system balance between generation and consumption at all times. In order to continuously balance demand and supply of electricity, 50Hertz primarily relies on the use of different types of control energy (primary, secondary and tertiary control energy). In addition, 50Hertz conducts redispatch measures when required and manages grid losses in its transmission system by procuring energy. Currently a procedural mechanism that provides for a bonus and penalty mechanism for the treatment of the pass-through nature of these costs is in place for the first regulatory period to recover the costs except for redispatch costs where the mechanism is subject to approval from 2012 onwards; and

- *Manage cross-border connections*: 50Hertz operates a number of cross-border interconnections to Poland, Denmark and the Czech Republic. Their management involves non-discriminatory and transparent transfer capacity allocation mechanisms under pertinent European legislation and under EnWG.

## 6.2 Strategy

50Hertz's strategic focus is influenced by the regulated environment in which 50Hertz operates and involves (i) optimisation of profit within the regulatory framework, (ii) maintaining a high level of cost efficiency, (iii) integration of renewable energy and market integration, (iv) maintaining high quality operations, security of supply and grid reinforcement in the European context, and (v) retaining competent employees with strong commitment and a high safety culture.

A brief summary of the principal strategic focus areas of 50Hertz is as follows:

- *Optimisation of profit within the regulatory framework*: Under the incentive regulatory mechanism set by the BNetzA, the annual revenue cap for 50Hertz for each five year regulatory period is based on a cost assessment in a base year. 50Hertz continually seeks to optimise its regulated profit and eliminate any regulatory gaps through optimisation of the cost structure of the base year and engages in measures aimed at improving the regulatory framework itself through an ongoing dialogue with BNetzA regarding various elements of the current regulatory mechanism;

- *Maintaining a high level of cost efficiency*: A core strategic focus of 50Hertz is on the operation, maintenance and development of their ultra high voltage and high voltage electricity networks. 50Hertz seeks to continuously improve cost efficiency and effectiveness of its transmission grid, while keeping quality and reliability at the current high level, within the framework of its regulated tariff system and an integrated structure, composed of transmission activities, network and system services and engineering activities. The involvement of Elia should further contribute to the improvement of cost efficiencies and operational excellence through the selection of common standards, the pooling of purchase power and the development of market tools;
- *Integration of renewable energy and market integration*: 50Hertz contributes to the achievement of European targets in relation to the integration of renewable energy facilities and reduction of CO2 emissions. 50Hertz expects to continue delivering the planned investment programme and to adequately develop transmission capacity, in particular for renewable energy facilities and cogeneration plants in close cooperation with their respective DSOs. As a market facilitator, 50Hertz expects to continue to improve the functioning of the Central Western Europe, Central Eastern Europe and Northern Europe electricity markets that are connected to 50Hertz's network, which is of major importance for the German market. The involvement of Elia should further strengthen the role of 50Hertz in the development of the Central Western European markets;
- *Maintaining high quality operations, security of supply and grid reinforcement in the European context*: 50Hertz focuses on development of appropriate transmission capacity to meet the long-term energy needs of the customers of 50Hertz and on maintaining high quality operations and a high level of security of supply. In particular, the focus is on increasing transmission capacities with neighbouring networks, as this is a pre-requisite for the further improvement of the European internal energy market, and connecting the contemplated onshore and offshore renewable energy facilities. To ensure security of supply, 50Hertz cooperates with other European TSOs on a bilateral and/or multilateral basis and contributes to the work of the European Network of Transmission System Operators for Electricity ("***ENTSO-E***");
- *Retaining competent employees with strong commitment and a high safety culture*: 50Hertz continuously seeks to improve the competence, productivity and cost effectiveness of its human resources by establishing a challenging and motivating working environment that strengthens operational excellence. The strategy includes hiring, developing and continuously training qualified personnel according to business needs, implementing a retention management system to support employees' strong commitment to business goals, enforcing an active cost awareness orientated human resources policy and optimising human resources costs within the regulatory framework.

As part of its capital investment strategy, 50Hertz has received approval from BNetzA for investment projects with an overall volume of approximately €2.24 billion and has several projects exceeding €880 million currently in the approval phase. The Issuer and the Guarantors will look to meet these and other financing needs through diversified sources of debt funding.

### 6.3 Subsidiaries

50Hertz's subsidiaries include its 100 per cent. subsidiary 50Hertz Offshore and its two minority shareholdings in EMCC (20.00 per cent. ownership) and CAO (12.50 per cent. ownership). Each is described further below:

- *50Hertz Offshore*: 50Hertz Offshore is fully owned by 50Hertz and was founded in 2007 to facilitate the connection of offshore wind farms to the 50Hertz control area and to provide for a transparent accounting of the costs and capital employed. See "*Business Description of 50Hertz Offshore*" for additional information on 50Hertz Offshore;
- *CAO*: 50Hertz, together with several other TSOs, established CAO as a joint cross border services company. These TSOs own equal shares of 12.50 per cent. each in the company. CAO was formed to provide congestion management services for cross border exchanges in electricity on behalf of the participating TSOs within the Central East European power markets. CAO began operations in November 2008; and
- *EMCC*: 50Hertz, together with Energinet.dk, TenneT, the European Energy Exchange AG and Nord Pool Spot AS, established EMCC as a joint cross Danish-German border service company. The partners each own 20 per cent. of the shares in the company. EMCC was formed in order to implement and comply with the requirements of EC Regulation No. 1228/2003. EMCC began operations at the end of September 2008.

### 6.4 Legal and Arbitration Proceedings

Whilst certain legal claims and proceedings are from time to time pending or threatened against 50Hertz and its 100 per cent. subsidiary 50Hertz Offshore, in most instances the Guarantors have established provisions for pending litigation, which they believe are adequate to meet such legal claims and proceedings, and after counsel advice, it is not expected that the ultimate outcome of any matter currently threatened or pending against either Guarantor will have a material effect on their financial position. Of particular note is a dispute pending in front of a Danish court since 2007 concerning electricity deliveries over an interconnector between Germany and a neighbouring country. The opposing party claims the right to receive additional payments (approximately €57 million plus interest) under the contractual framework for allegedly increased costs for electricity deliveries due to the CO2 quota system being introduced in 2005. Although the Guarantors have not made provisions in relation to this particular case, should the case be determined adversely to the interests of 50Hertz and the Issuer, the Issuer has the benefit of an indemnity from a counterparty with respect to any payment obligations arising from the litigation. However, should the indemnity be called upon, any payment thereunder will be subject to the counterparty's ability to pay at such time.

# BUSINESS DESCRIPTION OF GUARANTORS – 50HERTZ OFFSHORE GMBH

## 1 Business Description of 50Hertz Offshore GmbH

50Hertz Offshore operates under the laws of Germany and was incorporated as a limited liability company on 29 June 2007. The company has its headquarters in Berlin, Germany, and has its registered office at Eichenstrasse 3A, 12435 Berlin. The company is registered in the commercial register at the local court (*Amtsgericht*) of Charlottenburg under registration number HRB 108780 B. The telephone number of 50Hertz Offshore is +49-30-5150-0.

## 2 Capitalisation Structure

The registered share capital of 50Hertz Offshore amounts to €1,000,000, comprising of one share with a nominal value of €1,000,000 which is fully paid. 50Hertz Offshore is a wholly owned subsidiary of 50Hertz.

## 3 Corporate Governance

50Hertz Offshore is controlled and supervised by its shareholder, 50Hertz.

The management board of 50Hertz Offshore comprises two managing directors as listed below. 50Hertz Offshore is represented by those two managing directors jointly or by one managing director together with a holder of a commercial power of attorney (*Prokurist*).

| Name | Position | Position outside 50Hertz Offshore |
|---|---|---|
| Gert Schwarzbach | Managing Director | None |
| Wolfgang Bogenrieder | Managing Director | Deputy Chairman of the board of trustees of *Naturstiftung David* |
| | | Member of the advisory board of the *Landestalsperrenverwaltung* of the Free State of Saxony |

The business address of both managing directors is Eichenstrasse 3A, 12435 Berlin, Germany.

The corporate governance arrangements at 50Hertz Offshore are also driven by a domination/profit and loss transfer agreement between 50Hertz Offshore and its parent company, 50Hertz, effective as of January 2008. The aim of the domination/profit and loss agreement is to achieve a fiscal unity between 50Hertz and 50Hertz Offshore for trade tax and corporate tax purposes. Pursuant to the domination part of the agreement, 50Hertz is entitled to issue instructions to the management of 50Hertz Offshore. Pursuant to the profit and loss transfer part of the agreement, 50Hertz Offshore is obliged to transfer its profits to 50Hertz and in return, 50Hertz is obliged to compensate 50Hertz Offshore (in accordance with the provisions of the German Stock Corporation Act ((§ 302 *Aktiengesetz (AktG)* and subject to the terms of the profit and loss transfer agreement) for any annual losses 50Hertz Offshore incurs during the term of the agreement. The agreement is concluded for a fixed term until 31 December 2013, and thereafter it is automatically renewed if not terminated by three months' notice prior to the end of the respective financial year of 50Hertz Offshore.

50Hertz Offshore is also party to the Cash Pool Agreement with the Issuer and 50Hertz (see "*Business Description of Guarantors – 50Hertz Transmission GmbH – Corporate Governance*").

## 4 Conflicts

There are no potential conflicts of interest between any duties to 50Hertz Offshore of its directors and their private interests or other duties.

## 5 History and Development of 50Hertz Offshore

50Hertz Offshore was formed to facilitate the connection of offshore wind farms to the 50Hertz control area and to provide for a transparent accounting of the costs and capital employed. 50Hertz Offshore is expected to incur all the capital expenditure and other related costs related to these offshore connections.

In accordance with EnWG, 50Hertz is obliged to construct and operate the grid connections to offshore wind farms that have started construction prior to 31 December 2015. Furthermore, §17(2a) EnWG requires the German TSOs to share the costs of constructing and operating the grid connections to the offshore wind farms, based on electricity supply volume in their respective control areas. Accordingly, 50Hertz is entitled to be reimbursed, over time, by the other German TSOs for their share of costs and to include into the tariff calculation its own share of expenses incurred in the construction and operation of the offshore facilities.

By way of a framework agreement signed in November 2008 between 50Hertz and 50Hertz Offshore, 50Hertz has delegated its obligation to construct and operate the grid connections to the offshore wind farms to 50Hertz Offshore, granting at the same time the right of being reimbursed for all respective costs. 50Hertz Offshore currently has no employees and instead relies on services provided by 50Hertz pursuant to service contracts.

Important investment needs for 50Hertz Offshore are primarily triggered by the procurement of mainly sea and land cables and other electrical equipment to connect offshore wind farms. Whilst the first investments in offshore projects are already being implemented, many additional offshore projects are foreseen by 50Hertz Offshore. The size of the offshore investment portfolio may fluctuate considerably over the coming years depending on the investment decisions of the wind farm owners.

50Hertz Offshore regularly updates the prognosis on offshore wind farm commissioning in the Baltic Sea utilising advice from external experts in order to adjust schedules for commissioning of respective grid connections. Based on German law, 50Hertz and 50Hertz Offshore may be subject to claims for damages in case of a culpable delay of grid connection or for interruption of its respective operation. Under the present regulations, it is possible that 50Hertz may not be compensated for investments made in respect of offshore wind farms which are delayed or cancelled, and consequently, may suffer losses from such investments.

For the financial year ending 31 December 2009 the assets of 50Hertz Offshore, which mainly consisted of grid connection related assets under construction, amounted to €49.4 million. 50Hertz Offshore’s income is driven by direct operating costs and imputed regulatory costs linked to the offshore activities, which are chargeable to 50Hertz. Turnover for the financial year ending 31 December 2009 amounted to €3.17 million (compared with €1 million for the financial year ending 31 December 2008).

# TAXATION

## 1 Interest on the Notes

On the basis that interest on the Notes is not expected to have a United Kingdom source, there should be no United Kingdom withholding tax.

Persons in the United Kingdom (i) paying interest to or receiving interest on behalf of another person who is an individual, or (ii) paying amounts due on redemption of any Notes which constitute deeply discounted securities as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 to or receiving such amounts on behalf of another person who is an individual, may be required to provide certain information to HM Revenue & Customs regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries. However, in relation to amounts payable on the redemption of such Notes HM Revenue & Customs published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2011.

## 2 EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States are required to provide to the tax authorities of another Member State details of payment of interest (or similar income) paid by a person within its jurisdiction to an individual resident 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 Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Savings 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 Savings Directive, they may amend or broaden the scope of the requirements described above.

In Germany, provisions for implementing the Savings Directive have been enacted by legislative regulations of the federal government (*Zinsinformationsverordnung*) that apply as from 1 July 2005.

## 3 German Taxation

The following summary does not consider all aspects of income taxation in the Federal Republic of Germany ("**Germany**") that may be relevant to a holder of the Notes in the light of the holder's particular circumstances and income tax situation. The summary applies to investors holding the Notes as private investment assets (except where explicitly stated otherwise) and is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on German tax laws and regulations, all as currently in effect (except where explicitly stated otherwise) and all subject to change at any time, possibly with retroactive effect. Prospective holders should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Notes, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.

## German resident Noteholders

### *Interest income*

If the Notes are held as private assets (*Privatvermögen*) by an individual Noteholder whose residence or habitual abode is in Germany, payments of interest under the Notes are taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25 per cent. flat tax (*Abgeltungsteuer*) (plus a 5.5 per cent. solidarity surcharge thereon and, if applicable to the individual investor, church tax). The Noteholder may deduct interest accrued on the Notes (*Stückzinsen* - "**Accrued Interest**"), if any paid separately upon the acquisition of the respective security.

The flat tax is generally collected by way of withholding (see succeeding section — "*Withholding tax*") and the tax withheld shall generally satisfy the individual Noteholder's tax liability with respect to the Notes. If, however, no or insufficient tax was withheld the Noteholder will have to include the income received with respect to the Notes in its income tax return and the flat tax will then be collected by way of tax assessment. The Noteholder may also opt for inclusion of investment income in its income tax return if the aggregated amount of tax withheld on investment income during the year exceeded the Noteholder's aggregated flat tax liability on investment income (e.g., because of an available loss carry forward or a foreign tax credit). If the Noteholder's total income tax liability on all taxable income including the investment income determined by generally applicable graduated income tax rates is lower than 25 per cent. the Noteholder may opt to be taxed at graduated rates with respect to its investment income.

Individual Noteholders are entitled to a tax allowance (*Sparer-Pauschbetrag*) for investment income of €801 per year (€1,602 for married couples filing their tax return jointly). The tax allowance is taken into account for purposes of the withholding tax (see succeeding section — "*Withholding tax*") if the Noteholder files a withholding tax exemption request (*Freistellungsauftrag*) with the respective bank or financial institution which is required to withhold. The deduction of related expenses for tax purposes is not possible.

If the Notes are held as business assets (*Betriebsvermögen*) by an individual or corporate investor who is tax resident in Germany (i.e., a corporation with its statutory seat or place of management in Germany), interest income from the Notes (including Accrued Interest, for example, in case of zero-coupon notes issued at a discount for Noteholders accounting for on the accrual method) is subject to personal income tax at graduated rates or corporate income tax (each plus solidarity surcharge thereon) and, where applicable, trade tax. The trade tax liability depends on the applicable trade tax factor of the relevant municipality where the business is located. In case of individual Noteholders the trade tax may, however, be partially or fully creditable against the Noteholder's personal income tax liability depending on the applicable trade tax factor and the Noteholder's particular circumstances. The interest income will have to be included in the Noteholder's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the Noteholder's personal or corporate income tax liability or refundable, as the case may be.

### *Withholding tax*

If the Notes are kept or administered in a domestic securities deposit account by a German credit or financial services institution (or by a German branch of a foreign credit or financial services institution), or by a German securities trading firm (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (together the "**Domestic Paying Agent**") which pays or credits the interest, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent., is levied on the interest payments. The withholding rate will be in excess of the aforementioned rate if church tax is collected for the individual investor.

Capital losses from other transactions administered by the Domestic Paying Agent or Accrued Interest paid by the Noteholder will be taken into account by the Domestic Paying Agent for withholding tax purposes.

***Capital gains or losses from sale or redemption of the Notes***

Subject to the tax allowance for investment income described under Interest income above capital gains from the sale or redemption of the Notes held as private assets are taxed at the 25 per cent. flat tax (plus a 5.5 per cent. solidarity surcharge thereon and, if applicable to the individual investor, church tax). The capital gain is generally determined as the difference between the proceeds from the sale or redemption of the Notes and the acquisition costs.

Expenses directly related to the sale or redemption are taken into account. Otherwise, the deduction of related expenses for tax purposes is not possible.

Where the Notes are denominated in a currency other than Euro, the acquisition costs and the proceeds from the sale or redemption are computed in Euro, each at the time of the acquisition, sale or redemption, respectively.

Capital losses from the Notes held as private assets are tax-recognised irrespective of the holding period of the Notes. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilised in one year may be carried forward into subsequent years but may not be carried back into preceding years.

The flat tax is generally collected by way of withholding (see succeeding section — "*Withholding tax*") and the tax withheld shall generally satisfy the individual Noteholder's tax liability with respect to the Notes. With respect to the return filing Noteholders are referred to the description under Interest income above.

If the Notes are held as business assets (*Betriebsvermögen*) by an individual or corporate investor that is tax resident in Germany, capital gains from the Notes are subject to personal income tax at graduated rates or corporate income tax (plus solidarity surcharge thereon) and, where applicable, trade tax. The trade tax liability depends on the applicable trade tax factor of the relevant municipality where the business is located. In case of an individual Noteholder the trade tax may, however, be partially or fully creditable against the Noteholder's personal income tax liability depending on the applicable trade tax factor and the Noteholder's particular circumstances. The capital gains will have to be included in the Noteholder's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the Noteholder's personal or corporate income tax liability or refundable, as the case may be.

***Withholding tax***

If the Notes are kept or administered by a Domestic Paying Agent at the time of their disposal or redemption, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, is levied on the capital gains, resulting in a total withholding tax charge of 26.375 per cent. If the Notes have been kept or administered by that Domestic Paying Agent from the time of their acquisition, the capital gains are generally determined as the difference between the proceeds from the sale or redemption of the Notes and the acquisition costs. If the Notes are sold or redeemed after being transferred to another Domestic Paying Agent, the 25 per cent. withholding tax (plus solidarity surcharge thereon) will be levied on 30 per cent. of the proceeds from the sale or the redemption, as the case may be, unless the investor or the previous account bank is able and allowed to provide evidence for the investor's actual acquisition costs to the new Domestic Paying Agent. In the case of securities deposit account transfers between Domestic Paying Agents the investor's actual acquisition costs will generally be transmitted. The applicable withholding rate is in excess of the aforementioned rate if church tax is collected for the individual investor.

Capital losses from other transactions administered by the Domestic Paying Agent or Accrued Interest paid by the Noteholder will be taken into account for withholding tax purposes.

No withholding is generally required on capital gains derived by German resident corporate Noteholders and upon application by individual Noteholders holding the Notes as business assets.

### Non-German resident Noteholders

Income derived from the Notes by holders who are not tax resident in Germany is in general exempt from German income taxation, and no withholding tax shall be withheld, provided however (i) the Notes are not held as business assets of a German permanent establishment of the investor or by a permanent German representative of the investor, (ii) the income derived from the Notes does not otherwise constitute German source income or (iii) the Notes are not presented for payment or credit at the offices of a German credit or financial services institution including a German branch of a foreign credit or financial services institution (over-the-counter transaction).

If the income derived from the Notes is subject to German taxation according to (i) to (iii) above, the income is subject to withholding tax similar to that described above under the paragraphs *Withholding tax*. Under certain circumstances, foreign investors may benefit from tax reductions or tax exemptions under applicable double tax treaties (*Doppelbesteuerungsabkommen*) entered into with Germany.

### Inheritance tax/gift tax

The transfer of Notes to another person by way of gift or inheritance is subject to German gift or inheritance tax, respectively, if:

(i) the testator, the donor, the heir, the donee or any other acquirer had his residence, habitual abode or, in case of a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*), had its seat or place of management, in Germany at the time of the transfer of property,

(ii) except as provided under (i), the testator's or donor's Notes belong to a business asset attributable to a permanent establishment or a permanent representative in Germany.

Special regulations apply to certain German expatriates.

Investors are urged to consult with their tax advisor to determine the particular inheritance or gift tax consequences in light of their particular circumstances.

### Other taxes

The purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

## 4 Luxembourg Taxation

The following is a general description of certain tax laws relating to the Notes as in effect and as applied by the relevant tax authorities as at the date hereof and does not purport to be a comprehensive discussion of the tax treatment of the Notes.

*Prospective investors should consult their own professional advisers on the implications of making an investment in, holding or disposing of Notes and the receipt of interest with respect to such Notes under the laws of the countries in which they may be liable to taxation.*

### *Withholding tax*

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to certain individual Noteholders and to certain entities, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to certain individual Noteholders and to certain entities, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

### *Taxation of Luxembourg non-residents*

Under the Luxembourg laws dated 21 June 2005 implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union ("**EU**"), a Luxembourg-based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the procedure of exchange of information or for the tax certificate procedure. The same treatment will apply to payments of interest and other similar income made to certain "residual entities" within the meaning of Article 4.2 of the Savings Directive established in a Member State or in certain EU dependent or associated territories (i.e., entities which are not legal persons (the Finnish and Swedish companies listed in Article 4.5 of the Savings Directive are not considered as legal persons for this purpose), whose profits are not taxed under the general arrangements for the business taxation, that are not UCITS recognised in accordance with the Council Directive 85/611/EEC or similar collective investment funds located in Jersey, Guernsey, the Isle of Man, the Turks and Caicos Islands, the Cayman Islands, Montserrat or the British Virgin Islands and have not opted to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC).

The withholding tax rate is 20 per cent. increasing to 35 per cent. as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

### *Taxation of Luxembourg residents*

As of 1 January 2006, interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents or to certain residual entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the Council Directive 85/611/EEC or for the exchange of information regime) are subject to a 10 per cent. withholding tax.

Pursuant to the Luxembourg law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made after 31 December 2007 by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or territory which has concluded an international agreement directly related to the Savings Directive.

# SUBSCRIPTION AND SALE

## Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 8 October 2010 (as modified and/or supplemented and/or restated on the date of the issue of the Notes, the "**Dealer Agreement**") between the Issuer, the Guarantors, the Dealers (the "**Permanent Dealers**") and such other additional dealers that are appointed in respect of the Programme (and whose appointment has not been terminated), as the case may be, and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

## Selling Restrictions

### United States

The Notes 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year 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.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

### United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## General

These selling restrictions may be modified by the agreement of the Issuer, the Guarantors and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms in all cases at its own expense.

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

**Final Terms dated [●]**
**Eurogrid GmbH**
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**
**Guaranteed by 50Hertz Transmission GmbH and 50Hertz Offshore GmbH**
**under the € 2,500,000,000**
**Guaranteed Euro Medium Term Note Programme**

## PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 8 October 2010 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor(s)] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplement to the Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] and copies may be obtained from the office of the Paying Agent and *www.bourse.lu*.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") contained in the Agency Agreement dated 8 October 2010 and set forth in the Prospectus dated 8 October 2010 [and the supplement to the Prospectus dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the Prospectus Directive) and must be read in conjunction with the Prospectus dated [current date] [and the supplement to the Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [8 October] 2010 [and the supplement to the Prospectus dated [●]] and are attached hereto. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplement to the Prospectuses dated [●] and [●]]. The Prospectuses [and the supplement to the Prospectuses] are available for viewing [at [website] [and] during normal business hours at [address] [and copies may be obtained from [address]].

| | | | |
|---|---|---|---|
| 1 | (i) | Issuer: | Eurogrid GmbH |
| | (ii) | Guarantors: | 50Hertz Transmission GmbH and 50Hertz Offshore GmbH |
| 2 | (i) | Series Number: | [●] |
| | (ii) | Tranche Number: | [●] |
| 3 | Specified Currency or Currencies: | | [●] |

| | | |
|---|---|---|
| 4 | Aggregate Nominal Amount of Notes: | [●] |
| | (i) Series: | [●] |
| | (ii) Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)] |
| 6 | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●] |
| 7 | (i) Issue Date: | [●] |
| | (ii) Interest Commencement Date | [*Specify/*Issue Date/Not Applicable] |
| 8 | Maturity Date: | [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*] |
| 9 | Interest Basis: | [[●] per cent. Fixed Rate]<br>[[*specify reference rate*] +/– [●] per cent. Floating Rate]<br>[Zero Coupon]<br>[Index Linked Interest]<br>[Other (*specify*)]<br>(further particulars specified below) |
| 10 | Redemption/Payment Basis:[1] | [Redemption at par]<br>[Index Linked Redemption]<br>[Dual Currency]<br>[Partly Paid]<br>[Instalment]<br>[Other (*specify*)] |
| 11 | Change of Interest or Redemption/ Payment Basis: | [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*] |
| 12 | Put/Call Options: | [Investor Put]<br>[Issuer Call]<br>[(further particulars specified below)] |
| 13 | (i) Status of the Notes: | [Senior [Dated/Perpetual]/Subordinated] |
| | (ii) Status of the Guarantee: | Perpetual |
| | [(iii)][Date [Board] approval for issuance of Notes [and Guarantee] obtained:[2] | [●] [and [●]], respectively] |
| 14 | Method of distribution: | [Syndicated/Non-syndicated] |

1 If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply.

2 Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee.

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

| | | |
|---|---|---|
| 15 | **Fixed Rate Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Rate(s) of Interest: | [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear] |
| | (ii) Interest Payment Date(s): | [●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted] |
| | (iii) Fixed Coupon Amount[(s)]: | [●] per Calculation Amount |
| | (iv) Broken Amount(s): | [●] per Calculation Amount payable on the Interest |
| | (v) Broken Amount(s): Payment Date falling [in/on] [●] | [●] per Calculation Amount payable on the Interest |
| | (vi) Day Count Fraction: | [30/360/Actual/Actual (ICMA/ISDA)/other] |
| | (vii) Determination Dates: | [●] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*] |
| | (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/*give details*] |
| 16 | **Floating Rate Note Provisions** | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Interest Period(s): | [●] |
| | (ii) Specified Interest Payment Dates | [●] |
| | (iii) First Interest Payment Date | [●] |
| | (iv) Interest Period Date: | [●]<br>(Not applicable unless different from Interest Payment Date) |
| | (v) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (vi) Business Centre(s): | [●] |
| | (vii) Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/other (*give details*)] |

| | | | |
|---|---|---|---|
| | (viii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): | [●] |
| | (ix) | Screen Rate Determination: | [●] |
| | | – Reference Rate: | [●] |
| | | – Interest Determination Date(s): | [●] |
| | | – Relevant Screen Page: | [●] |
| | (x) | ISDA Determination: | |
| | | – Floating Rate Option | [●] |
| | | – Designated Maturity | [●] |
| | | – Reset Date | [●] |
| | | – ISDA Definitions | 2006 |
| | (xi) | Margin(s): | [+/-][●] per cent. per annum |
| | (xii) | Minimum Rate of Interest: | [●] per cent. per annum |
| | (xiii) | Maximum Rate of Interest: | [●] per cent. per annum |
| | (xiv) | Day Count Fraction: | [●] |
| | (xv) | Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | [●] |
| 17 | **Zero Coupon Note Provisions** | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Amortisation Yield: | [●] per cent. per annum |
| | (ii) | Any other formula/basis of determining amount payable: | [●] |
| 18 | **Index-Linked Interest Note/other variable-linked interest Note Provisions** | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Index/Formula/other variable: | [*give or annex details*] |
| | (ii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): | [●] |
| | (iii) | Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: | [●] |
| | (iv) | Interest Determination Date(s): | [●] |

| | | |
|---|---|---|
| (v) | Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [●] |
| (vi) | Interest Period(s): | [●] |
| (vii) | Specified Interest Payment Dates: | [●] |
| (viii) | Business Day Convention: | [Floating Rate Convention/Following Business Day<br>Convention/Modified Following Business Day<br>Convention/Preceding Business Day<br>Convention/other (*give details*)] |
| (ix) | Business Centre(s): | [●] |
| (x) | Minimum Rate of Interest: | [●] per cent. per annum |
| (xi) | Maximum Rate of Interest: | [●] per cent. per annum |
| (xii) | Day Count Fraction: | [●] |

| | | |
|---|---|---|
| 19 | **Dual Currency Note Provisions** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Rate of Exchange/method of calculating Rate of Exchange: | [*give details*] |
| (ii) | Party, if any, responsible for calculating the principal and/or interest due (if not the [Agent]): | [●] |
| (iii) | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: | [●] |
| (iv) | Person at whose option Specified Currency(ies) is/are payable: | [●] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 20 | **Call Option** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Optional Redemption Date(s): | [●] |
| (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [●] per Calculation Amount |
| (iii) | If redeemable in part: | |
| | (a) Minimum Redemption Amount: | [●] per Calculation Amount |
| | (b) Maximum Redemption Amount: | [●] per Calculation Amount |
| (iv) | Notice period | [●] |

| | | |
|---|---|---|
| 21 | **Put Option** | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) Optional Redemption Date(s): | [●] |
| | (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [●] per Calculation Amount |
| | (iii) Notice period | [●] |
| 22 | **Final Redemption Amount of each Note** | [●] per Calculation Amount |
| | In cases where the Final Redemption Amount is Index-Linked or other variable-linked:[3] | |
| | (i) Index/Formula/variable: | *[give or annex details]* |
| | (ii) Party responsible for calculating the Final Redemption Amount (if not the Agent): | [●] |
| | (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: | [●] |
| | (iv) Determination Date(s): | [●] |
| | (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [●] |
| | (vi) Payment Date: | |
| | (vii) Minimum Final Redemption Amount: | [●] per Calculation Amount |
| | (viii) Maximum Final Redemption Amount: | [●] per Calculation Amount |
| 23 | **Early Redemption Amount** | |
| | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | [●] |

3 If the Final Redemption Amount is linked to an underlying reference or security, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the Requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply.

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 24 | Form of Notes: | Bearer Notes:<br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]<br>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice][4]<br>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]<br>**Registered Notes:**<br>[Regulation S Global Note (U.S.$/€[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]] |
| 25 | New Global Note: | [Yes][No] |
| 26 | Financial Centre(s) or other special provisions relating to payment dates: | [Not Applicable/*give details*][5] |
| 27 | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. *If yes, give details*] |
| 28 | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/*give details*] |
| 29 | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | [Not Applicable/*give details*] |
| 30 | Redenomination, renominalisation and reconventioning provisions: | [Not Applicable/The provisions [in Condition [●]] apply] |
| 31 | Consolidation provisions: | [Not Applicable/The provisions [in Condition [●]] apply] |
| 32 | Other final terms: | [Not Applicable/give details] |

4 Only applicable where the Notes represented by the Temporary Global Note have been issued in an integrated multiple of the Specified Denomination.

5 Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15(ii), 16(v) and 18(ix) relate.

**DISTRIBUTION**

| | | |
|---|---|---|
| 33 | If syndicated, names of Managers: | [Not Applicable/*give names*] |
| | Stabilising Manager(s) (if any): | [Not Applicable/*give name*] |
| 34 | If non-syndicated, name of Dealer: | [Not Applicable/*give name*] |
| 35 | U.S. Selling Restrictions: | Reg. S Compliance Category; TEFRA C/ TEFRA D/not applicable |
| 36 | Additional selling restrictions: | [Not Applicable/*give details*] |

**Purpose of Final Terms**

These Final Terms comprise the final terms required for issue and admission to trading on the Luxembourg Stock Exchange's regulated market of the Notes described herein pursuant to the €2,500,000,000 Guaranteed Euro Medium Term Note Programme of Eurogrid GmbH.

**Responsibility**

The Issuer and the Guarantors accept responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from (*specify source*). Each of the Issuer and the Guarantors confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ........................................................................ By: ........................................................................
Duly authorised Duly authorised

Signed on behalf of 50Hertz Transmission GmbH:

By: ........................................................................ By: ........................................................................
Duly authorised Duly authorised

Signed on behalf of 50Hertz Offshore GmbH:

By: ........................................................................ By: ........................................................................
Duly authorised Duly authorised

## PART B — OTHER INFORMATION

### 1 Listing and Admission to Trading

| | |
|---|---|
| (i) Admission to listing: | Application has been made by the Issuer (or on its behalf) to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List with effect from [●]. |
| (ii) Admission to trading:[6] | Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market with effect from [●]. |
| (iii) Estimate of total expenses related to admission to trading: | [●] |

### 2 Ratings

| | |
|---|---|
| Ratings:[7] | The Notes to be issued have been rated:<br>[Moody's: [●]]<br>[[Other]: [●]] |

### 3 [Interests of Natural and Legal Persons involved in the Issue/Offer

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

### 4 [Reasons for the Offer, Estimated Net Proceeds and Total Expenses

| | |
|---|---|
| [(i) Reasons for the offer:[8] | [●]] |
| [(ii)] Estimated net proceeds:[9] | [●]] |
| [(iii) Estimated total expenses:[10] | [●]] |

---

6 Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.

7 The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.

8 See "Use of Proceeds" wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.

9 If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.

10 If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.

## 5 [Fixed Rate Notes only — YIELD

| | |
|---|---|
| Indication of yield: | [●]<br>The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ] |

## 6 [Index-Linked or other variable-linked Notes only — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

## 7 [Dual Currency Notes only — PERFORMANCE OF RATE[S] OF EXCHANGE

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]*

## 8 Operational Information

| | |
|---|---|
| ISIN Code: | [●] |
| Common Code: | [●] |
| Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s) [and address(es)*] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of initial Paying Agent(s): | [●] |
| Names and addresses of additional Paying Agent(s) (if any): | [●] |

| | |
|---|---|
| Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes] [No] [Note that the designation “yes” simply means a manner which would allow that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper, and registered in the name of a nominee of one of the ICSDs as common safekeeper, [*include this text for registered notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if “yes” selected in which case bearer Notes must be issued in NGN form*] |

## GENERAL INFORMATION

**1** The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The establishment of the Programme occurred on 8 October 2010. Prior to official listing and admission to trading, however, dealings will be permitted by the Luxembourg Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.

**2** Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.

**3** Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorisations in Germany in connection with the establishment of the Programme, the issue of Notes and the Guarantees. The establishment of the Programme and the issue of Notes were authorised by a shareholder resolution and management board resolution of the Issuer, each passed on 5 October 2010 and the giving of the Guarantees by (a) 50Hertz Transmission GmbH was authorised by a shareholder resolution, a management board resolution and a supervisory board resolution, each passed on 5 October 2010 and (b) 50Hertz Offshore GmbH was authorised by a shareholder resolution and management board resolutions each passed on 5 October 2010.

**4** There has been no significant change in the financial or trading position of the Issuer or the Guarantors or of the Group since (in the case of the Issuer) its incorporation on 26 February 2010, or (in the case of 50Hertz Transmission GmbH) since 31 May 2010 and (in the case of 50Hertz Offshore GmbH and the Group) 31 December 2009 and no material adverse change in the prospects of the Issuer or the Guarantors or of the Group since (in the case of the Issuer) its incorporation on 26 February 2010 and (in the case of 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and the Group) 31 December 2009.

**5** Except as disclosed on pages 10 and 13 of the section entitled "*Risk Factors*" and in "*Business Description of Guarantors – 50Hertz Transmission GmbH – Legal and Arbitration Proceedings*", neither the Issuer nor the Guarantors are involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Guarantors are 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, the Guarantors or the Group.

**6** Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

**7** Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number ("**ISIN**") and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

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. The address of any alternative clearing system will be specified in the applicable Final Terms.

**8** Except as disclosed in "*Business Description of Guarantors – 50HertzTransmission GmbH – Corporate Governance*" and "*Business Description of Guarantors – 50Hertz Offshore GmbH – Corporate Governance*", there are no material contracts entered into other than in the ordinary course of the Issuer's or Guarantors' business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or Guarantors' ability to meet their respective obligations to noteholders in respect of the Notes being issued.

**9** 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.

**10** The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to assets underlying issues of Notes constituting derivative securities.

**11** For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent:

(i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Deed of Covenant;

(iii) the articles of association (with an English translation thereof) of the Issuer and the Guarantors;

(iv) the latest published annual report and audited financial statements of the Issuer and the Guarantors;

(v) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity);

(vi) a copy of this Prospectus together with any Supplement to this Prospectus or further Prospectus; and

(vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Prospectus.

This Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange (*www. bourse.lu*).

**12** Copies of the latest financial statements of the Guarantors may be obtained, and copies of the Agency Agreement and the Deed of Covenant (including the Guarantee) will be available for inspection, at the specified offices of the Paying Agent during normal business hours, so long as any of the Notes are outstanding. The Issuer and Guarantors do not publish interim financial statements on an ongoing basis. 50Hertz Transmission will produce annual financial statements as of 31 December 2010 on a consolidated basis.

**13** PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft of Lise-Meitner-Str 1, 10589 Berlin, Germany (Independent Public Accountants) and a member of the Chamber of Public Accountants

(*Wirtschaftsprűferkammer*) have audited and issued unqualified auditor's reports on, the accounts of the Guarantors for the years ended 31 December 2009 and 31 December 2008.

**Registered Office of the Issuer**

**Eurogrid GmbH**
Eichenstraße 3A
12435 Berlin
Germany

**Registered Office of**
**50Hertz Transmission GmbH**

**50Hertz Transmission GmbH**
Eichenstraße 3A
12435 Berlin
Germany

**Registered Office of**
**50Hertz Offshore GmbH**

**50Hertz Offshore GmbH**
Eichenstraße 3A
12435 Berlin
Germany

**Dealers**

**BNP PARIBAS**
10 Harewood Avenue
London NW1 6AA

**Dexia Bank Belgium S.A./N.V. (acting under the name of Dexia Capital Markets)**
44, boulevard Pachéco, Brussels,
B-1000, Belgium

**ING Belgium SA/NV**
Ave. Marnix 24, Brussels,
B-1000, Belgium

**The Royal Bank of Scotland plc**
135 Bishopsgate
London EC2M 3UR

**Fiscal Agent and Paying Agent**

**The Royal Bank of Scotland N.V.**
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

**Registrar and Transfer Agent**

**The Royal Bank of Scotland N.V.**
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

**Calculation Agent/Agent Bank**

**The Royal Bank of Scotland N.V.**
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

**Arrangers**

**BNP PARIBAS**
10 Harewood Avenue
London NW1 6AA

**Dexia Bank Belgium S.A./N.V. (acting under the name of Dexia Capital Markets)**
44, boulevard Pachéco, Brussels,
B-1000, Belgium

**ING Belgium SA/NV**
Ave. Marnix 24, Brussels,
B-1000, Belgium

**The Royal Bank of Scotland plc**
135 Bishopsgate
London EC2M 3UR

**Auditors**

**To the Issuer**

**PricewaterhouseCoopers Aktiengesellschaft**
**Wirtschaftsprüfungsgesellschaft**
Lise-Meitner-Str 1
10589 Berlin
Germany

**To the Guarantors**

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