Alliander Finance B.V.

Annual Report
for the year ended
31 December 2008

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

CONTENTS

Report of the Management Board

Results 2008

In 2008, Alliander Finance (formerly Nuon Finance B.V., renamed at 12 March 2009) reported a profit after taxation of € 3.9 million (2007: € 8.8 million). The profit was primarily the result of the currency exchange profits on derivatives of € 9.3 million (2007: € 13.0 million) and the result on Fair value loss on derivatives of € 1.5 million (2007: € 4.6 million gain). These currency transactions are entered into by Alliander Finance for the purpose of hedging the interest and currency exposure of financial instruments that are held by other Group companies. Consequently, Alliander Finance has recognised the foreign currency exchange profits, whereas the corresponding loss on the financial instrument being hedged is reported elsewhere within the Nuon Group. Compared to the previous year interest income in 2008 was € 4.9 million higher (€ 45.2 million compared to € 40.2 million in 2007). For the financial risks reference is made to the notes to the financial statements (note 14).

Cash flows and liquidity

The cash flow from operating activities amounted to a cash inflow of € 42.7 million in 2008 (2007: € 0.3 million). This was primarily due to the higher cash inflow from Trade and other receivables.

In 2008 the cash flow from investing activities amounted to a cash outflow of € 4.3 million, compared to 2007 of nil million. This is explained by an investment in financial fixed assets.

In 2008 the cash flow from financing activities amounted to a cash outflow of € 39.1 million, compared to 2007 of nil million. This is explained by the scheduled repayments of Medium Term Notes.

Personnel

As in 2007 the company employs no staff. All staff working on behalf of Alliander Finance are employed by n.v. Nuon.

Outlook

Currently the Nuon Group is preparing the unbundling of the group in line with the Independent Network Operation Act (WON). The unbundling is required to be implemented no later than January 1st 2011. As of this date the Nuon group should be separated in a group encompassing the supply and generation activities and a separate group encompassing the network activities. The current parent company n.v. Nuon and Alliander Finance will become part of the network group.

Due to the unbundling the network group will be refinanced as a stand-alone group.

In line with the policy adopted by n.v. Nuon, the ultimate parent company and Management Board of Alliander Finance, Alliander Finance will not issue any statements regarding expected future results.

Appropriation of net result

The Management Board proposes to add the profit after taxation for 2008 to Shareholders' Equity.

Disclosure Alliander Finance B.V.

Recently the European Transparency Directive has been implemented in the Netherlands as part of the Act on Financial Supervision (Wet op het financieel toezicht (Wft)). In accordance with the Wft, we declare that, to the best of our knowledge:

- The financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Alliander Finance B.V.; and
- The management report includes a fair view of the position as per 31 December 2008 and the development and performance of the business during the book year 2008 of Alliander Finance B.V. and the principal risk and uncertainties Alliander Finance B.V. faces.

Arnhem, 26 March 2009

The Management Board:

n.v. Nuon

Namely by:

Drs. M.R. van Lieshout

Financial Statements 2008

Balance sheet as at 31 December

(before profit appropriation)
amounts x EUR 1,000

	Note	2008		2007	
ASSETS					
Non-current assets					
Financial assets	[2]	4,302		-	
Deferred tax assets	[3]	3,171		3,590	
Derivative financial instruments	[4]	2,785		1,232	
			10,258		*4,822*
Current assets					
Trade and other receivables	[5]	795,322		850,286	
Cash and cash equivalents	[6]	45		299	
			795,367		*850,585*
Total assets			**805,625**		**855,407**
EQUITY and LIABILITIES					
Shareholders' equity	[7]				
Share capital		20		20	
Share premium		6,000		0	
Other reserves		7,574		-1,235	
Hedging reserves		-9,266		-10,491	
Result for the year		3,944		8,809	
Total Equity			*8,272*		*-2,897*
Long-term liabilities					
Borrowings	[8]	795,417		788,929	
			795,417		*788,929*
Short-term liabilities					
Borrowings	[8]	-		51,622	
Derivative financial instruments	[4]	-		16,072	
Trade and other payables	[5]	1,497		1,681	
Cash and cash equivalents	[6]	439		-	
			1,936		*69,375*
Total equity and liabilities			**805,625**		**855,407**

Income statement for the year ended 31 December

amounts x EUR 1,000

	Note	2008		2007	
FINANCE INCOME					
Interest income from n.v. Nuon		45,176		40,227	
Currency exchange gains on derivatives entered into on behalf of n.v. Nuon group companies		9,332		13,014	
Fair value gains on derivatives		-1,579		4,570	
			52,929		57,811
FINANCE COSTS					
Interest expenses		-45,435		-45,395	
Other financial expenses		-1,997		-1,338	
			-47,432		-46,733
NET FINANCE INCOME			5,497		11,078
OPERATING EXPENSES					
External costs			-91		-10
PROFIT BEFORE TAXATION			5,406		11,068
Income tax expense	[3]		-1,462		-2,259
PROFIT AFTER TAXATION			3,944		8,809
Attributable to shareholders Alliander Finance B.V.			3,944		8,809

Cash flow statement for the year ended 31 December

amounts X EUR 1,000

	2008		2007	
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation		3,944		8,809
Changes in working capital				
Trade and other receivables	54,964		788	
Trade and other payables	-184		-64	
Cash flow from operations		*54,780*		*724*
Movements in derivatives and translation differences		-17,625		--13,990
Other movements		1,644		4,727
Net cash flow from operating activities		42,743		270
CASH FLOW FROM INVESTING ACTIVITIES				
Investment in non-current financial assets	-4,302		-	
Net cash flow from investing activities		-4,302		-
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings				
New loans	6,488		-	
Loan repayments	-51,622		-	
Share premium paid up	6,000		-	
Net cash flow from financing activities		-39,134		-
NET CASH FLOW		-693		270
Balance of cash resources at 1 January		299		29
Net cash flow		-693		270
Balance of cash resources at 31 December		-394		299

Statement of changes in shareholders' equity
amounts x EUR 1 thousand except for shares in issue

	Number of shares in issue	Share capital paid up and called up	Share premium	Other reserves	Result for the year	Hedge reserve	Total
Balance as at 1 January 2007	200	20		6,820-	5,585	13,424-	14,639-
Profit after taxation 2007					8,809		8,809
Cash flow hedges						3,938	3,938
Deferred tax						1,005-	1,005-
Comprehensive income 2007					8,809	2,933	11,742
Profit appropriation 2006				5,585	5,585-		
Balance as at 31 December 2007	200	20	-	1,235-	8,809	10,491-	2,897-
Profit after taxation 2008					3,944		3,944
Cash flow hedges						1,644	1,644
Deferred tax						419-	419-
Comprehensive income 2008					3,944	1,225	5,169
Profit appropriation 2007				8,809	8,809-		-
Issue of share premium			6,000				6,000
Balance as at 31 December 2008	200	20	6,000	7,574	3,944	9,266-	8,272

NOTES TO THE FINANCIAL STATEMENTS

Alliander Finance B.V. (renamed at 12 March 2009, formerly Nuon Finance B.V. and hereafter referred to as 'Alliander Finance', or 'the company') is a company with limited liability with its statutory seat in Arnhem, the Netherlands and acts as the financing vehicle of the Nuon Group.

Accounting policies

IFRS

The financial statements of Alliander Finance have been prepared in accordance with International Financial Reporting Standards (IFRS) as of 31 December 2008, as endorsed by the European Union (EU). IFRS consists of the IFRS standards as well as the International Accounting Standards issued by the International Accounting Standards Board (IASB), as well as the interpretations of IFRS and IAS standards, issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) respectively.

The significant accounting policies and principles that were used in the preparation of the consolidated financial statements are further discussed below. The historical cost convention has been applied. However, derivatives are valued at fair value. Unless stated otherwise, these accounting policies have been applied consistently over the financial years that are covered in these financial statements.

The preparation of financial statements requires the use of estimates and assumptions that are based on past experience and that are appropriate in the opinion of management, given the specific circumstances. These estimates and assumptions have an impact on the valuation and presentation of the reported assets and liabilities, on the assets and liabilities that are not held on the balance sheet, as well as on the reported gains and losses during the financial year. The actual outcome may diverge from the estimates and assumptions used.

Unless stated otherwise, all amounts reported in these financial statements are in thousands of euros.

New and/or adapted IFRS standards that are applicable in 2008

The IASB and the IFRIC have issued new and/or adapted standards and interpretations which are applicable to Alliander Finance for the financial years 2008 and later. The standards and interpretations below have been endorsed by the European Commission.

An amendment to IAS 39 *'Financial Instruments: Recognition and Measurement'* permits companies, under certain circumstances, to reclassify non-derivative financial assets - other than those designated at fair value through income statement upon initial recognition - out of the 'fair value through income statement' category. The amendment also permits a company to transfer from the 'available for sale' category to the 'loans and receivables' category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale) if the company has the intention and ability to hold that financial asset for the foreseeable future. If a company makes use of the permitted reclassification of financial assets, the amended IFRS 7 *Financial Instruments Disclosures* requires additional disclosures in relation to the reclassification. Both amended standards are applicable from 1 July 2008. During 2008 Alliander Finance did not reclassify any non-derivative financial assets.

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction' addresses three issues: how companies should determine the limit placed by IAS 19 on the amount of a surplus in a pension plan they can recognise as an asset, how a minimum funding requirement affects that limit, and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to the amount otherwise recognised under IAS 19. Alliander Finance does not have employee benefit plans and as a consequence this interpretation has no effect on Alliander Finance.

IFRIC 11 *'IFRS 2 – Group and treasury share transactions'* addresses the recognition of some specific share-based payment arrangements. As Alliander Finance has no arrangements falling within the scope of IFRS 2, this interpretation has no effect on Alliander Finance.

Expected changes in accounting policies

Alongside the above-mentioned new and changed standards, the IASB and the IFRIC have issued new and/or changed standards and/or interpretations up to and including 2008. These will become effective for Alliander Finance as of the financial year 2009 or later. These standards and interpretations can only be applied after endorsement by the European Union.

The following new and/or amended standards have been endorsed by the European Commission and are applicable to Alliander Finance as of the financial year 2009.

IFRS 1 *'First-time adoption of IFRS'* was amended to allow first-time adopters to recognise investments in subsidiaries, joint ventures and associates at cost in their company financial statements. This cost is either the fair value as at IFRS adoption date or the carrying amount on adoption date in accordance with the accounting policies applied before the IFRS adoption date. In addition, the structure of IFRS 1 has been improved. As Alliander Finance already applies IFRS, these amendments have no effect on Alliander Finance.

In this connection the definition of the "cost price method" has been removed from IAS 27 *'Consolidated and Separate Financial Statements'* and replaced with the requirement to present dividends as income in the company financial statements of the investor. A further amendment prescribes that in the case of a reorganisation resulting in a new parent company, the new parent company must measure the cost of the investments in subsidiaries, joint ventures and associates in its entity-only financial statements at the carrying amount of the aforementioned investments in the company financial statements of the original parent company at the date of the reorganisation. The provisions of this amendment have no effect on Alliander Finance.

IFRS 2 *'Share-based Payment'* contains clarifications stating that 'vesting conditions' exclusively consist of conditions relating to the service period and performance conditions and that all cancellations, either by the entity itself or by the other party, must be accounted for in the same manner. As Alliander Finance has no payment arrangements falling within the scope of IFRS 2, these amendments have no effect on Alliander Finance.

IAS 1 *'Presentation of Financial Statements'* contains amendments aimed at providing a clearer presentation of financial information and, in particular, of income and expenses. Under the amended standard, all income and expenses are presented separately from changes in the equity arising from transactions with owners. The standard gives the option of presenting income and expenses and changes in the equity in a single comprehensive statement, in which subtotals are given, or in two separate statements. In addition, the amended standard prescribes the presentation of the opening balance sheet at the start of the comparative period.

IAS 23 *'Borrowing Costs'* has been amended and prescribes capitalisation of interest costs insofar as these can be directly attributed to the acquisition, production or construction of a qualifying asset. The option of taking interest costs to the income statement has thus been removed. For Alliander Finance this entails the obligatory capitalisation of interest costs for all qualifying assets whose initial capitalisation date falls on or after 1 January 2009.

IAS 32 *'Financial Instruments: Presentation'* has been amended in combination with IAS 1 *'Presentation of Financial Instruments'* and prescribes that the following financial instruments that were formerly classified as financial liabilities are now classified as equity instruments: puttable financial instruments, such as some shares issued by cooperative institutions, and instruments or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. Alliander Finance currently has no instruments falling within the above-mentioned classifications.

IFRIC 13 *'Customer Loyalty Programmes'* addresses the accounting for loyalty award credits that entities grant to customers who buy goods or services. The interpretation prescribes that the fair value of the loyalty award credits must be accounted for as deferred income. As Alliander Finance has no loyalty programmes as intended in the interpretation, this interpretation will have no effect on Alliander Finance.

The IASB *'Annual Improvements Process'* resulted in corrections and small adjustments to a number of IFRS standards. These have (or will have) no material impact on Alliander Finance and are therefore not mentioned separately here.

The following new or amended standards are applicable to Alliander Finance with effect from the financial year 2009, but will only be applied if endorsed by the European Commission.

IFRIC 12 *'Service Concession Arrangements'* deals with the manner in which operators must account for services provided under public-private concession arrangements. Though the amended interpretation is applicable as of the financial year 2008, it has not yet been endorsed by the EU. As Alliander Finance has no arrangements falling within the scope of IFRIC 12, this interpretation has no effect on Alliander Finance.

IFRIC 15 *'Agreements for the Construction of Real Estate'* provides guidelines for determining whether a contract for the construction of real estate falls within the scope of IAS 11 *'Construction Contracts'* or IAS 18 *'Revenue'* and when revenue from the construction should be recognised. This interpretation has no effect on Alliander Finance.

IFRIC 16 *'Hedges of a Net Investment in a Foreign Operation'* provides guidance on several issues: identifying foreign currency risks that qualify for classification as a hedge in the hedged position of a net investment in a foreign operation, where hedging instruments that are hedges of a net investment in a foreign operation within a group can be held to qualify for hedge accounting, and how an entity should determine the amounts to be reclassified from equity to the income statement for both the hedging instrument and the hedged item. This interpretation does not currently affect Alliander Finance as it does not currently use hedge accounting for hedged risks of net investments in foreign entities.

The following new or amended standards are applicable to Alliander Finance with effect from the 2010 financial year, but are only applied if endorsed by the European Commission.

IFRS 3 *'Business Combinations'* has been amended, the most important changes being that the costs of acquisition are recognised in the income statement instead of capitalised as goodwill, and that in the case of a business combination achieved in stages (step acquisitions) the full goodwill is determined by remeasuring the formerly held equity interest at fair value on acquisition date instead of determining the goodwill for each step separately. In addition, acquiring parties are permitted to measure minority interests in an acquired party either at the proportionate share of the minority interest in the net assets or at fair value.

In this connection IAS 27 *'Consolidated and Separate Financial Instruments'* has been amended, the most important adjustment being that changes in the ownership stake that do not lead to a loss of control are recognised as equity transactions. The revised IFRS 3 and amended IAS 27 are applied prospectively to business combinations for which the acquisition date falls on or after the start of financial year 2010. These changes therefore have no influence on the existing business combinations.

IAS 39 *'Financial Instruments: Recognition and Measurement'* contains a clarification about how the existing policies for determining whether a position qualifies for designation as a hedged position must be applied in two situations: a unilateral risk in a hedged position and inflation in specific situations. These two situations are not applicable to the hedged positions of Alliander Finance.

IFRIC 17 *'Distributions of Non-cash Assets to Owners'* clarifies that a payable dividend must be recognised if the dividend has been appropriately authorised and is no longer available at the discretion of the entity, that an adopted dividend must be measured at the fair value of the net assets to be distributed (in kind), and that differences between the dividend paid and the carrying amount of the net assets distributed are recognised in the income statement. The interpretation also prescribes that en entity must provide additional information if the net assets being held for distribution to owners meet the definition of a discontinued operation.

Foreign Currency Translation

Functional currency and presentation currency

The currency of the primary economic environment in which Alliander Finance operates (the functional currency) is the euro. The Financial Statement are prepared in euro, Alliander Finance's functional and presentation currency.

Translation of transactions and Balance Sheet items denominated in foreign currency

Transactions denominated in foreign currency are translated into the functional currency at the exchange rates prevailing at transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rates as at the Balance sheet date. Foreign currency exchange differences resulting from the settlement of balance sheet items denominated in foreign currency or the translation at the Balance sheet date are recognised in the Income Statement, unless these exchange gains or losses are accounted for as cash flow hedges or net investment hedges.

Accounting policies for the Balance Sheet

Financial assets and liabilities

Financial assets – primarily consisting of investments in loans and shares – are dividend into the categories described hereafter. Financial assets are classified as current if the remaining maturity on the balance sheet date is less than 12 months. The assets are classified as non-current in case the remaining maturity exceeds 12 months. The valuation depends on the classification of the financial asset:

Loans and receivables

Loans and receivables are primary financial instrument with fixed or floating payments that are not listed in active markets. Initial measurement of these loans and receivables is at fair value (being the cost of the financial assets). Loans and receivables are subsequently measured at amortised cost, using the effective interest method.
Amortised cost comprises the value at initial measurement (including discounts and/or premiums and transaction costs) less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial measurement and the maturity amount.
Financial assets are depreciated over the expected useful life of 3 years, using the straight-line method.

In case the fair value of these financial assets has been hedged, the amortised cost is adjusted for the movement in the value of the hedged risk. These movements are recognised in the Income Statement.

Derivatives and hedge accounting

Application of IAS 32 en 39

Derivatives – including interest rate swaps, cross currency swaps and foreign exchange contracts – have to be valued at fair value. The fair values are derived from market prices that are listed in active markets, or by using comparable recent market transactions in case there is no active market. Valuation methods include discounted cash flow models and option pricing models.

Derivatives are classified as current or non-current assets in case the fair value is positive and as short-term or long-term liabilities in case the fair value is negative. The distinction between current or non-current assets and short-term or long-term is made on the basis of the maturity of the derivative. Offsetting of derivative receivables and payables with the same counter party takes place when there is a contractual or legal right to offset and Alliander Finance has the intention to settle the transactions on a net basis.

Accounting for the movements in fair value of derivatives

The accounting treatment for the movements in fair value of derivatives depends on whether the derivative is designated as held for trading purposes or as a hedge, and if the latter is the case, the risk that is being hedged.

IAS 32 and 39 require that, in principle, all fair value movements of derivatives are to be recognised in the Income Statement. In case a derivative qualifies as a hedge, hedge accounting may be applied. Hedge accounting enables companies to limit the impact of fair value movements on the results, as the fair value movements of derivatives and the hedged position can be offset in the Income Statements (fair value hedges), or fair value movements of derivatives are recognised in Shareholders' Equity until the hedged position or transaction occurs (cash flow hedges). Specific criteria have to be met in order to apply hedge accounting.

Hedging instruments
Alliander Finance uses derivatives to hedge foreign exchange risks on assets and liabilities, and interest risks on long-term loans. These hedge transactions can be divided into two categories:

1. *Fair value hedges;*
   These hedge transactions hedge the risk of movements in the fair value of assets and/or liabilities, or a part thereof, held on the Balance Sheet, or unrecognised firm commitments, or a part thereof, that may affect profit or loss. An unrecognised firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates. Fair value movements of derivatives that are designated as fair value hedges are recognised in the Income Statement, together with the movements in the fair value of the (group of) assets or liabilities that are attributable to the hedged risk;

2. *Cash flow hedges;*
   These hedge transactions hedge the risk of movements in (future) cash flows that may affect profit or loss. The hedges are attributable to a specific risk that is related to a balance sheet item or a future transaction that is highly probable. The effective part of the changes in the fair value of the hedge is recognised in Shareholders' Equity under the hedge reserves. The non-effective part is taken to income.
   The accumulated amounts that are taken to equity are recycled to the Income Statement in the same period in which the hedged transaction is recognised in the Income Statement. However, if an anticipated future transaction that is hedged leads to the recognition of a non-financial asset or liability, the accumulated value movements of the hedges are included in the initial measurement of the asset or liability involved.

   If a hedge ceases to exist or is sold, or when the criteria for hedge accounting are no longer being met, the accumulated fair value movements are held in equity until the anticipated future transaction is recognised in the Income Statement. If an anticipated future transaction is not expected to take place anymore, the accumulated fair value movements that were recognised in equity are recycled to the Income Statement.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently at amortised cost. Due to the short term of these receivables, the fair value and amortised cost value are often equal to the nominal value. Impairments are charged to income when it can be determined objectively that these amounts are not collectible.

Cash and cash equivalents

The item Cash and cash equivalents comprises all financial instruments that are highly liquid with a maturity date at inception of less than three months. Cash and cash equivalents include cash-at-hand, cash held at bank accounts, call money and amounts deposited at banks. Amounts owed to banks are only classified as cash and cash equivalents when Alliander Finance has the right to offset amounts owed and due held at bank accounts with the same banks and Alliander Finance has the intention to use this right and effectively uses this right.

Cash and cash equivalents are measured at fair value, which in general equals the nominal value.

Financial liabilities

Financial liabilities are initially measured at cost, which in most cases approximates fair value plus transaction costs. Financial liabilities, with the exception of derivatives, are subsequently measured at amortised cost. Transaction costs, including premiums or discounts, are amortised using the effective interest method. Amortised cost comprises the value at initial measurement (including discounts and/or premiums and transaction costs) less principal repayments, and plus or minus the cumulative amortisation using the effective interest method of any difference between the initial measurement and the maturity amount.

In case the fair value risk of financial liabilities is hedged by means of a hedging instrument, the amortised cost value is adjusted for the movement in the value of the hedged risk. The value movements are recognised in the Income Statement.

Deferred tax assets and liabilities

Deferred tax assets and liabilities that arise from temporary differences between the carrying value in the Financial Statements and the carrying value for tax purposes are determined based on the income tax rates that are currently applicable or will be applicable, based on current legislation, at the time of settlement of the deferred tax asset or liability. Deferred tax assets are recognised if it can be reasonably assumed that sufficient future taxable income will be available. Offsetting of deferred tax assets and liabilities will only take place if Alliander Finance has a legal right to offset and the assets and liabilities relate to taxes that are levied by the same tax authority or governmental body. Deferred tax assets and liabilities are not stated at net present value but at nominal value. The tax rates are based on enacted or substantially enacted tax legislation at the balance sheet date.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost. Due to the short term of these payables, the fair value and amortised cost value are often equal to the nominal value.

Accounting policies for the Income Statement

Finance income and costs

This item consists of the following:

- Interest and similar income; this includes the interest income on financial (interest bearing) loans and receivables and cash and cash equivalents, determined using the effective interest method.
- Interest and similar expenses; this includes the interest expenses on financial (interest-bearing) liabilities, determined using the effective interest method. Financial liabilities consist of loans issued under the Euro Medium Term Notes program. In addition, the costs of financing are reported under this item such as costs of letters of credit, commitment fees, etc.
- Fair value gains on derivatives; this comprises the non-effective part of fair value movements of derivatives.

Taxation

The income tax charge is determined based on the applicable rates for income taxes and are valued at nominal value. Permanent differences between the results for tax purposes and financial reporting purposes are taken into account, as well as the possibilities of the utilisation of tax losses carried forward, in case deferred tax assets have not been recognised yet for these tax losses.

Accounting policies for the Cash Flow Statement

The Cash Flow Statement is prepared in accordance with the indirect method. The movement in cash resources is derived from the amounts reported in the Income Statement. Exchange rate differences are eliminated insofar as these did not lead to cash flows.

Assumptions and estimates used in the Financial Statements

The assets and liabilities on the balance sheet of Alliander Finance mainly consist of loans and receivables, cash and cash equivalents, derivatives and loans under the Euro Medium Term Note programme.

Valuation of deferred tax assets and liabilities

In the determination of the value of the deferred tax assets, especially with regard to tax losses carried forward and the difference between the valuation of property, plant and equipment for tax purposes and for financial reporting purposes, assumptions are used with respect to the extent of which these assets will be realised and the term over which these will be realised. Among other things, the business plans are taken into account to this end. In addition, assumptions with regard to temporary and permanent differences are used in the preparation of the financial statements. The actual outcome may differ from the assumptions used, for instance as a result of disputes with the tax authorities and changes in tax legislation.

Valuation of trade receivables

Alliander Finance regularly assesses the valuation of the trade receivables, based upon past experience and specific developments with its customers. Impairments on the value of trade receivables may be recognised as a result of these assessments. The actual outcome may differ from the assumptions that were used in the determination of the impairments.

NOTES TO THE FINANCIAL STATEMENTS

[1] Segmentation
Alliander Finance has only one reportable segment.

[2] Financial assets
Non-current financial assets consist of capitalized arrangement fee for the revolving credit facility of € 875 million.

Capital expenditures	4,425
Depreciation	123-
Balance as at 31 December 2008	**4,302**

On 29 November 2008 Alliander Finance B.V. entered into a € 875 million multi-currency revolving credit facility for a period of 3 years. The facility, which is guaranteed by n.v. Nuon, is unused per 31-12-2008.

[3] Taxation
Deferred tax assets
The deferred tax assets are the result of the adoption of IAS 32 and 39 and consist of the tax effect on the hedging reserves that are recognised in equity. The movements in deferred tax assets, all in one segment, are summarised below.

	Hedge
Balance as at 31 December 2006	**4,595**
Cash flow hedges	1,005-
Balance as at 31 December 2007	**3,590**
Cash flow hedges	419-
Balance as at 31 December 2008	**3,171**

Tax charge
Alliander Finance forms part of the fiscal unity for income taxes of n.v. Nuon. Consequently, Alliander Finance calculates its tax charge or tax benefit for the financial year on a stand alone basis. The tax payable resulting from the tax charge in 2008 of € 1,5 million was accounted for on the Balance Sheet under the current account with n.v. Nuon.

[4] Derivative financial instruments

	2008		2007	
	assets	liabilities	assets	liabilities
Cross currency interest rate swap - cash flow hedge				9,391
Cross currency interest rate swap - fair value to P&L	2,785		1,232	
Interest rate swap - fair value hedge	-		-	6,681
	2,785	-	1,232	16,072

At 31 December 2008 the fixed interest rate was 4.1% (2007: 0.6% to 4.1%) and the floating interest rate USDIBOR. The notional principal amounts of the outstanding cross-currency interest rate swaps were USD 81.5 million (2007: USD 148.9 million, JPY 8.4 billion). The JPY cross-currency interest rate swaps and the fixed-floating interest rate swaps with notional principal amounts of € 300 million matured in 2008. All interest rate swaps are subject to hedge accounting.

[5] Trade and other receivables

	2008	2007
Current account nv Nuon	795,322	849,773
Prepayments and accrued income	-	513
	795,322	850,286

The current account with n.v. Nuon bears interest at 5.4% (2007: 4.7%).

[5] Trade and other payables

	2008	2007
Interest	1,402	1,557
Accruals and deferred income	95	124
	1,497	1,681

[6] Cash and cash equivalents

Cash and cash equivalents are free accessible to Alliander Finance.

[7] Shareholders' equity

Share capital paid up and called up

The authorised capital of the company amounts to € 100 thousand, divided into 1,000 shares having a face value of € 100 each. As in 2007, at the end of 2008 200 shares were issued and fully paid up.

In 2008 an additional issue of share premium of € 6 million took place by n.v. Nuon.

	Balance 01-01-2007	New loans	Early repayments	P&L charge	Fair value hedge	Translation difference	Repayments within 1 year	Balance 31-12-2007
Medium Term Notes	844,969	-			2,325	1,862-	51,622-	793,810
MTNotes - Amortized Costs	5,207-	-		326				4,881-
Medium Term Notes Total	839,762	-	-	326	2,325	1,862-	51,622-	788,929

	Balance 01-01-2008	New loans	Early repayments	P&L charge	Fair value hedge	Translation difference	Repayments within 1 year	Balance 31-12-2008
Medium Term Notes	793,810	-			6,190			800,000
MTNotes - Amortized Costs	4,881-	-		298				4,583-
Medium Term Notes Total	788,929	-	-	298	6,190	-	-	795,417

[8] Borrowings

Interest rates and repayments of long-term liabilities are as follows:

Effective interest rate	2008	2007
EUR	4.3%	4.3%

Repayment and interest schedule	2008	2007
> 5 years	800,000	800,000
Total	**800,000**	**800,000**
Amortized costs	*4,583-*	*4,881-*
Fair value hedge	*-*	*6,190-*
Book value	*795,417*	*788,929*

The total balance drawn amounts to € 800 million and consists of an Euro denominated amount of € 800 million.

[9] Employees

During the year the average number of employees was nil (2007: nil).

[10] Directors' remuneration

The directors received no remuneration in respect of their services during the year (2007: nil).

[11] Related party transactions

The Company acts as a financing vehicle for the Nuon Group. External borrowings are subsequently lend to n.v. Nuon through current account at interest rates that are at arm's length. No other transactions with related parties occurred.

[12] Audit expenses

The audit expenses of the statutory auditor PricewaterhouseCoopers Accountants N.V. can be specified as follows:

	2008	2007
Audit of the financial statements	11	11
Audit related	-	-
Tax advice	-	-
Other	-	-
	11	11

[13] Off-balance sheet obligations, commitments and contingent assets and liabilities

Alliander Finance forms part of the fiscal unity of n.v. Nuon for VAT and income taxes. As a result, Alliander Finance is jointly and severally liable for the value added tax and income tax obligations of all other entities within the fiscal unity of n.v. Nuon.

n.v. Nuon, the ultimate parent company of Alliander Finance, has issued a '403' declaration pursuant to Book 2 of the Dutch Civil Code. As a consequence, n.v. Nuon assumes liability for the obligations arising from the legal acts of Alliander Finance.

[14] Financial Risk Management

General

With respect to financial risks, the following risks can be identified: market risk, credit risk and liquidity risk. Market risk is defined as the risk of loss due to an adverse change in market prices. Alliander Finance is exposed primarily to foreign exchange and interest rate risk. Credit risk is the risk resulting from counterparty default. Liquidity risk is the risk of not being able to meet obligations associated with financial liabilities.

This note provides information on the above-mentioned financial risks to which Alliander Finance is exposed, the objectives and the policy for the management of risks arising from financial instruments as well as the management of capital. Further quantitative notes are provided in the various footnotes in the financial statements.

The risk management policy of Alliander Finance is prescribed by its ultimate parent, n.v. Nuon. Financial risk management within Nuon is executed in line with the procedures, policies and boundaries established by the Board of Management of n.v. Nuon. These procedures comprise not only the procedures and policies with regard to risk management for the company as a whole, but also procedures and guidelines with regard to specific areas such as foreign exchange risks, interest risks, credit risks, the use of derivatives and the investment of excess cash and cash equivalents. The risk management policies for the company as a whole are designed to limit, as much as possible, potential adverse consequences on Nuon's financial results.

Market Risk
Alliander Finance is exposed to the following potential market risks:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in exchange rates;
- Interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Alliander Finance hedges foreign currency and interest rate risks arising on its borrowings through the purchase and sale of interest rate swaps and cross currency interest rate swaps. Nuon seeks to mirror this practice insofar as possible in its accounts through the application of hedge accounting. All transactions are carried out within the guidelines as approved by the Management Board of n.v. Nuon.

Currency risk
General
The Nuon group has an 'exposure based' currency policy. The Nuon group recognises various types of risk in relation to foreign currency, of which the following two are relevant to Alliander Finance:

- *Transaction risks* concern risks in respect of future cash flows in foreign currency as well as in relation to balance sheet positions in foreign currency of both Alliander Finance and the Nuon group. These risks are 100% hedged.

  These positions and risks are principally hedged 'back-to-back' with external counterparties through cross currency interest rate swaps.

  Loans of the Nuon group are, in principle, concluded in euros.

  The Nuon group (not Alliander Finance) has provided collateral by way of deposits in foreign currency. These securities cover issued letters of credit relating to cross border lease transactions and are hedged by Alliander Finance by means of cross currency interest rate swaps. In this connection the Nuon group had provided collateral for an amount of USD 79.3 million (€ 56.8 million) as at 31 December 2008 (2007: USD 148.9million/€ 102.1 million).

- *Economic risks* are related to a possible deterioration of the competitive position as a result of a change in the value of foreign currencies. These risks are currently not hedged because Nuon perceives the probability of a deterioration of the competitive position due to this as low. Furthermore, Nuon regards this as normal risk of doing business.

Exposure to currency risks and sensitivity analysis
Alliander Finance's exposure to currency risk based on nominal values is included in the table below. This table indicates the pre-tax effect that a possible increase or decrease in

the value of foreign currencies relative to the euro would have, assuming all other circumstances remain unchanged, on Alliander Finance's financial income and expenses and shareholders' equity. In this connection, account was taken of derivatives concluded to hedge the currency risk. The effects on shareholders' equity and income are calculated using the balance sheet rate.

€ thousand	Position	Income		Equity	
		Decrease by 10% relative to the euro	Increase by 10% relative to the euro	Decrease by 10% relative to the euro	Increase by 10% relative to the euro
31 December 2008					
Exposure in USD in Nuon group companies: not Alliander Finance	56,843	-5,684	5,684		
Hedged position in USD: Alliander Finance	-58,410	5,841	-5,841		
Sensitivity cash flow in USD (net)	-1,567	157	-157	0	0
31 December 2007					
Exposure in USD in Nuon group companies: not Allioander Finance	102,122	-10,212	10,212		
Hedged position in USD: Alliander Finance	-102,133	10,213	-10,213		
Sensitivity cash flow in USD (net)	-11	1	-1	0	0
Exposure in JPY	-51,535	0	0	5,154	-5,154
Hedged position in JPY	51,535	0	0	-5,154	5,154
Sensitivity cash flow in JPY (net)	0	0	0	0	0
Exposure in GBP	-124	12	-12		
Hedged position in GBP	0				
Sensitivity cash flow in GBP (net)	-124	12	-12	0	0
Total exposure in foreign currencies	50,463	-10,200	10,200	5,154	-5,154
Total hedged position in foreign currencies	-50,598	10,213	-10,213	-5,154	5,154
Sensitivity cash flow in foreign currencies (net)	-135	14	-14	0	0

The table includes risk positions from exposure in foreign currencies in both Alliander Finance and Nuon group companies

The following important exchange rates were applicable as at balance sheet date:

	Spot rate per balance sheet date	
euro 1	2008	2007
USD	1,40	1,46
JPY	126,67	163,00
GBP	0,96	0,74

Interest rate risk
General
Alliander Finance makes use of derivatives such as interest rate swaps to mitigate the interest rate risk. The Nuon group aims to have a maximum fixed-interest exposure of 60-70% of its total interest-bearing debts.

The table below provides insight into the degree to which Alliander Finance is exposed to changes in the interest percentages for financial instruments. The table below shows the effective interest rate as at balance sheet date as well as the maturity date or – if earlier - the contractual interest repricing date. This means that a long-term loan whose interest reprices in the forthcoming year is classified in the category 'less than 1 year'.

Earlier of maturity or repricing	Effective interest rate	Variable/ fixed	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
				Book values in € thousand		
31 december 2008						
Other receivables						
Trade and other receivables	5.4%	Fixed	795,322	0	0	**795,322**
Cash and cash equivalents		Variable	-393	0	0	**-393**
Total assets			**794,929**	**0**	**0**	**794,929**
Loans received						
Euro Medium Term Notes	4.3%	Fixed	0	0	-800,000	**-800,000**
Derivatives						
Cross currency interest rate swaps		Variable	58,410	0	-58,410	**0**
Total liabilities			**58,410**	**0**	**-858,410**	**-800,000**
31 december 2007						
Other receivables						
Trade and other receivables	4.7%	Fixed	849,773	0	0	**849,773**
Cash and cash equivalents		Variable	299	0	0	**299**
Total assets			**850,072**	**0**	**0**	**850,072**
Loans received						
Euro Medium Term Notes and JPY Medium Term Notes	4.1%	Fixed	-51,535		-800,000	**-851,535**
Derivatives						
Interest rate swaps and cross currency interest rate swaps		Variable	402,133	-300,000	-102,133	**0**
Total liabilities			**350,598**	**-300,000**	**-902,133**	**-851,535**

At year-end 2008 Alliander Finance had no longer outstanding interest rate swaps (2007: € 300 million). Alliander Finance has outstanding cross currency interest rate swaps for a nominal amount of USD 81.4 million (€ 58.4 million, 2007: USD 148.9 million/€ 102.1 million); these are explained further in the section on currency risk. The amount of the underlying principal sums that is converted from a fixed to a variable interest rate is € 58.4 million (2007: € 402.1 million) and is presented in the table above. All underlying loan items have a maturity date longer than five years.

Sensitivity analysis

Sensitivity analysis in relation to fair value for fixed-interest assets and liabilities

Alliander Finance has no fixed-interest financial assets and liabilities that are recognised via the income at fair value. Alliander Finance did place interest rate swaps in a fair value hedging relationship.

Sensitivity analysis in relation to cash flows for variable interest assets and liabilities

A change of 100 basis points in the interest rates as at 31 December 2008 would, assuming all other circumstances remain unchanged, have a pre-tax effect on Alliander Finance's shareholders' equity and income on an annual basis (financial income and expenses) as indicated in the table below.

	Position	Income		Equity	
€ thousand		Decrease by 100 basis points	Increase by 100 basis points	Decrease by 100 basis points	Increase by 100 basis points
31 December 2008					
Variable rated instruments	-393	4	-4	0	0
Interest rate swaps	58,410	584	-584	0	0
Sensitivity cash flow (net)	58,017	588	-588	-	-
31 December 2007					
Variable rated instruments	299	-3	3	0	0
Interest rate swaps	402,133	4,021	-4,021	0	0
Sensitivity cash flow (net)	402,432	4,018	-4,018	-	-

The interest rate swaps, which matured in 2008, had been placed in a fair value hedge. If interest rates change, the value movements of the interest rate swaps have no effect on Nuon's income or shareholders' equity as all changes in the fair value of these swaps lead to an identical change in the value of the underlying balance sheet items. The change in the fair value of these swaps placed in a fair value hedge, resulting from an interest rate increase or decrease of 100 basis points amounted as at 31 December 2008 to € 0.6 million (2007: € 4.0 million).

Hedging transactions

Fair value hedging

Alliander Finance makes use of derivatives for the partial or full hedging of risks of fluctuations in the fair value of financial assets and/or liabilities of the Nuon group.

Due to interest rate swaps fixed rate interest loans are converted into variable rate loans. Changes in the market value of these loans as well as of the swaps designated for hedging are stated in the financial income and expenses. The table below indicates the fair value of the interest rate swaps as well as the value movements that are hedged with these.

€ thousand	31 December 2008	31 December 2007
Changes in fair value of underlying item		
Euro Medium Term Notes	0	6,190
Total	0	6,190
Fair value hedging instruments		
Interest rate swaps	0	-6,190
Total	0	-6,190

In 2008 a negative amount of € 6.2 million (2007: a negative amount of € 2.3 million) was taken to the income statement in respect of fair value movements of the underlying items. Against this, a positive amount of € 6.2 million (2007: a positive amount of € 2.3million) was taken to the income in respect of fair value movements of the interest rate swaps. In 2008 the interest rate swaps are terminated.

Cash flow hedging

In the phase preceding the conclusion of the Medium Term Notes, Alliander Finance hedged the risks arising from the expected future interest payments by means of interest rate swaps. These swaps were designated as cash flow hedges. From the moment that the loans are concluded, the interest rate swaps were settled in cash and the loss contained until that moment in the cash flow hedge reserve is released to income during the remaining life of the loans so that on balance the originally hedged interest rate level is recognised in the income statement. Since these interest rate swaps have been settled on conclusion of the loans, no future cash flows are expected from these interest rate swaps. The balance as per 31 December 2008 amounting to € 12.4 million (2007: € 14.4million) is recognised in the income statement until 2014.

The table below presents the movement of the cash flow hedge reserve in the financial year before tax. As per the end of 2008 the cash flow hedge reserve amounts to € -9.3 million net of deferred tax (2007: € -10.5 million).

€ thousand

2008	Hedge ineffectiveness	Hedge reserve as per 1 January	Changes in fair value	Reclassification to Translation reserve	Reclassification to Other reserves	Release to Income	Hedge reserve as per 31 December
Currency risks							
Cross currency interest rate swaps		321	(321)	-	-		-
Interest rate risks							
Interest rate swaps	-	(14,403)	-	-	-	1,965	(12,438)
Total 2008	-	(14,082)	(321)	-	-	1,965	(12,438)

2007	Hedge ineffectiveness	Hedge reserve as per 1 January	Changes in fair value	Reclassification to Translation reserve	Reclassification to Other reserves	Release to Income	Hedge reserve as per 31 December
Currency risks							
Cross currency interest rate swaps		(655)	976	-	-		321
Interest rate risks							
Interest rate swaps	-	(16,279)	-	-	-	1,876	(14,403)
Total 2007	-	(16,934)	976	-	-	1,876	(14,082)

Credit risk

General

Credit risk arises as a result of the financing activities of Alliander Finance. Credit risk is the loss incurred through a counterpart's lack of willingness or lack of ability to perform. A consistent approach to credit analysis and management is applied throughout the Nuon group, with the degree of review undertaken varying depending on the magnitude of credit risk in a transaction.

Cash and cash equivalent surpluses are placed in the money and capital markets at market-consistent rates with institutions named in a list of permitted counterparties drawn up by the Management Board up to the maximum limit set for the institution in question. In addition, norms have been set for the creditworthiness level of the cash and cash equivalents portfolio as a whole on the basis of credit ratings set by credit rating agencies.

Credit risk is managed through established credit policies, regular monitoring of credit exposures and application of appropriate mitigation tools.

Credit quality

The majority of Alliander Finance's credit risk is with n.v. Nuon. As per 31 December 2008, Alliander Finance owns € 795.3 million from n.v. Nuon (2007: € 849.8million). The credit rating of n.v. Nuon as per the end of 2008 was as follows:

Credit rating	Standard & Poor's	Moody's
n.v. Nuon short-term	A-1	P-1
n.v. nuon Long-term	A+ (negative outlook)	A2 (stable outlook)

Maximum credit risk
The maximum credit risk is the balance sheet value of each financial asset, with the exception of the instrument cross-currency interest rate swaps.

As per the end of 2008, the maximum credit exposure of these instruments with a carrying value of € 2.8 million (2007: € 1.2 million), amounts to nil (2007: nil). The credit exposure is nil as Alliander Finance is allowed, based on ISDA agreements, to net these instruments with derivatives with a negative value.

Liquidity risk
General
Liquidity risk comprises the risk that Alliander Finance is not able to obtain the required financial resources for the timely fulfilment of its financial commitments. In this connection the Nuon group regularly assesses the expected cash flows over a period of three years. The overall aim is to have sufficient committed credit facilities at all times in order to secure the required liquidity in the coming three years.

Alliander Finance has a committed credit facility for the amount of € 875 million which expires in November 2011. Alliander Finance can make use of this facility at all times provided that certain covenants are met. Alongside the committed credit facility, Alliander Finance has an Euro Commercial Paper programme of € 1.5 billion. None of the facilities are used at the present moment.

To provide insight into the liquidity risk, the table below shows the contractual terms of the financial obligations (translated at balance sheet rate), including interest payments.

€ thousand	Book value	Contractual cash flows			
31 December 2008		Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Loans received					
Notional amounts	-795,417	0	0	-800,000	-800,000
Interest		-34,125	-136,500	-101,625	-272,250
Interest rate instruments					
Interest rate swaps*	0				
Interest payments		0	0	0	0
Interest receipts		0	0	0	0
Total interest rate swaps		0	0	0	0
Forex instruments					
Cross currency interest rate swaps*	2,785				
Payments interest and notional amounts		-2,865	-11,849	-61,946	-76,660
Receipts interest and notional amounts		2,498	9,993	63,062	75,553
Total cross currency interest rate swaps		-367	-1,856	1,116	-1,107
Total	-792,632	-34,492	-138,356	-900,509	-1,073,357
31 December 2007					
Loans received					
Notional amounts	-840,551	-51,535	0	-800,000	-851,535
Interest		-34,433	-136,500	-135,750	-306,683
Interest rate instruments					
Interest rate swaps*	-6,681				
Interest payments		-19,630	0	0	-19,630
Interest receipts		12,375	0	0	12,375
Total interest rate swaps		-7,255	0	0	-7,255
Forex instruments					
Cross currency interest rate swaps*	-8,161				
Payments interest and notional amounts		-67,974	-21,459	-113,971	-203,404
Receipts interest and notional amounts		56,412	-18,276	119,898	158,035
Total cross currency interest rate swaps		-11,562	-39,735	5,927	-45,370
Total	-855,392	-104,785	-176,235	-929,823	-1,210,842

Fair values

The fair value of all short term financial instruments equals book value. Furthermore, the fair values of all derivative instruments equal their book values. The table below presents the fair values of the financial assets and liabilities as at 31 December 2008 that are different from their book value.

€ thousand		Book value IAS 39 categories					
Classes	Note	Fair value through profit or loss	Loans and receivables	Other liabilities	Off balance sheet commitments	Total	Fair value
31 December 2008							
Loans received	8	0	0	795,417	0	795,417	840,027
31 December 2007							
Loans received	8	0	0	840,551	0	840,551	831,053

Determination of fair value

The fair value of financial instruments was determined as follows:

- Currency derivatives and interest rate derivatives (note [4]) are recognised on the basis of the present value of the future cash flows, making use of the interbank rate (such as euribor, or eurswap for cash flows longer than one year) applicable on the reporting date for the remaining term of the contracts. The present value in foreign currency is translated at the spot rate applicable on reporting date;
- The fair value of borrowings is determined making use of market quotes, or if unavailable, by calculating their present value at the yield curve applicable to n.v. Nuon as at 31 December. This yield curve is derived from the zero coupon rate plus the credit spread applicable to n.v. Nuon.
  At year-end 2008 the following yield curve was applied:
  1-year 4.55% (2007: 4.75%)
  5-year 5.25% (2007: 4.77%)
  10-year 5.74% (2007: 5.13%)
  20-year 5.88% (2007: 5.51%)
- The fair value of the short term receivables and liabilities is, in view of their short term nature, identical to the book value;
- Cash and cash equivalents are recognised at nominal value which, in view of their short-term and risk-free nature, corresponds with the fair value.

Financial income and expenses

The table below indicates which income and expenses are recognized in respect of financial instruments in the income statement:

€ thousand	2008	2007
Net result on derivatives held for trading		
Fair value changes forex instruments	6,007	13,692
Fair value changes interest rate instruments		
Net result on financial liabilities at amortised cost		
Interest charges on financial liabilities at amortised cost	-43,494	-43,519
Interest gains on Trade and other receivables and Cash and cash equivalents	45,176	40,227
Received and paid fees other than for the calculation of the effective interest rate	-1,974	-1,338
Ineffective part of changes in fair value of cash flow hedges	2,029	0
Amortisation of cash flow hedges from equity to income statement	-1,965	-1,876
Net result on fair value hedges of the underlying item	-6,190	-2,325
Net result on fair value hedges of the hedging instrument	6,190	2,325
Net financial income and expenses	5,779	7,186

The table below indicates which income and expenses are recognised directly in shareholders' equity in respect of financial instruments:

€ thousand	2008	2007
Effective part of changes in fair value of cash flow hedges	-321	976
Net change in fair value of cash flow hedges transferred to the income statement	1,965	1,876
Total recorded in cash flow hedge reserve	1,644	2,852

Arnhem, 26 March 2009

The Management Board

n.v. Nuon

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Other information

Appropriation of result
Article 15 of the company's Articles of Association states that the result for the year is at the disposition of the shareholder. No dividend will be paid out if retained earnings are negative.

Proposed profit appropriation for the year
Management proposes to add the profit after taxation for 2008 to Shareholders' Equity.

Subsequent events
In January 2009 Alliander Finance has signed a bridge facility of € 1 billion. Purpose of the facility is refinancing the network group after unbundling. The facility is unused at the present moment.

On 12 March, 2009 the Alliander Finance B.V. changed the statutory seat from Amsterdam to Arnhem and the name into Alliander Finance B.V.

There have been no further subsequent events after 31 December, 2008.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
Velperweg 35
6824 BE Arnhem
P.O. Box 5381
6802 EJ Arnhem
The Netherlands
Telephone +31 (26) 371 25 00
Facsimile +31 (26) 371 25 90
www.pwc.com/nl

To the General Meeting of Shareholders of
Alliander Finance B.V.

107284

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of Alliander Finance B.V., Arnhem as set out on pages 3 to 30 which comprise the balance sheet as at 31 December 2008, the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management board's responsibility

Management board of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the management board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

PRICEWATERHOUSECOOPERS

107284

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Alliander Finance B.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the management board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Arnhem, 26 March 2009
PricewaterhouseCoopers Accountants N.V.
Original has been signed by

Drs. J. van Hoof RA