



TenneT Holding B.V.

(Incorporated with limited liability in the Netherlands with its statutory seat in Arnhem)

EUR 15,000,000,000

Euro Medium Term Note Programme

Due from one month to 50 years from the date of original issue

Under the Euro Medium Term Note Programme (the "**Programme**") described in this prospectus (the "**Prospectus**"), TenneT Holding B.V. (the "**Issuer**" or "**TenneT**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed EUR 15,000,000,000 (or the equivalent in other currencies).

The Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, the "**AFM**"), in its capacity as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) relating to prospectuses for securities, has approved this Prospectus as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. As used herein, the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in a relevant Member State of the European Economic Area. Application may be made to Euronext Amsterdam N.V. ("**Euronext**") for Notes issued under the Programme to be listed on Euronext in Amsterdam ("**Euronext Amsterdam**"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may also be issued pursuant to the Programme and application may be made to other exchanges for Notes issued under the Programme to be listed on such other exchanges. The relevant Final Terms (as defined in "Overview of the Programme – Method of Issue") in respect of the issue of any Notes will specify whether or not an application will be made for such Notes to be listed on Euronext Amsterdam or on any other 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**" and together with the temporary Global Note the "**Global Notes**"). 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 (as defined in "Overview of the Programme – Method of Issue") to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**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 (as defined in "Overview of the Programme – Form of 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".

As at the date of this Prospectus, TenneT has a long term senior unsecured debt rating of "A-" by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and "A3" by Moody's Investors Service Limited ("**Moody's**"). Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No 1060/2009 on credit rating agencies as amended (the "**CRA Regulation**"). Further information relating to the registration of rating agencies under the CRA Regulation can be found on the website of the European Securities and Markets Authority. Tranches of Notes (as defined in "Overview of the Programme – Method of Issue") 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 Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

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. A suspension, reduction or withdrawal of the rating assigned to any Notes may adversely affect the market price of the Notes.

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

Arranger for the Programme

ING

Dealers

Barclays
HSBC

ING

BNP PARIBAS
NatWest Markets

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries and affiliates taken as a whole and the Notes which, according to the particular nature of the Issuer 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.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (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"). This Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

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 or any of the Dealers or the Arranger (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 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 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.

MIFID II product governance / target market – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “MiFID II”) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or

selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

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 EUR 100,000 (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 Dealers and the Arranger 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") or with any securities regulatory authority of any State or other jurisdiction of the United States, 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. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

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

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims 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 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 Arranger 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 Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer 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 Dealers or the Arranger.

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, stabilisation may not necessarily occur. 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 cease 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.

All references in this Prospectus to "euro", "EUR" and "€" refer to the lawful currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union, those to "U.S. dollars", "dollar", "U.S.\$", "\$" and "USD" refer to the lawful currency of the United States of America, and those to "Sterling", "£" and "GBP" refer to the lawful currency of the United Kingdom.

The Notes being offered pursuant to this Prospectus do not represent units in collective investment schemes within the meaning of the Swiss Collective Investment Schemes Act of 23 June 2006 (the "CISA"). Accordingly, they have not been registered with the Swiss Financial Market Supervisory Authority (the "FINMA") as foreign collective investment schemes, and are not subject to the supervision of the FINMA. Investors cannot invoke the protection conferred under the CISA.

This Prospectus does not constitute an "offering prospectus" under article 1156 of the Swiss Code of Obligations. Accordingly, the Notes may not be offered to the public in or from Switzerland. This Prospectus and any other marketing material may not be made available to the public in or from Switzerland.

None of the Issuer, any Dealer or the Arranger has applied for a listing of the Notes being offered pursuant to this Prospectus on the SIX Swiss Exchange. Consequently, the information presented in this Prospectus does not comply with the information standards set out in the Listing Rules of the SIX Swiss Exchange.

Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate ("EURIBOR") which is provided by the European Money Markets Institute ("EMMI"), the London Interbank Offered Rate ("LIBOR") which is provided by ICE Benchmark Administration Limited ("ICE"), or any other benchmark, in each case as specified in the applicable Final Terms. As at the date of this Prospectus, EMMI and ICE are not included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "BMR").

As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that EMMI and ICE are not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).

If a benchmark (other than EURIBOR or LIBOR) is specified in the applicable Final Terms, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the BMR.

The registration status of any administrator under the BMR is a matter of public record and, save where required by applicable law, the Issuer does not intend to update this Prospectus or any applicable Final Terms to reflect any change in the registration status of the administrator.

TABLE OF CONTENTS

	Page
RISK FACTORS	6
OVERVIEW OF THE PROGRAMME.....	28
SUPPLEMENTARY PROSPECTUS.....	33
DOCUMENTS INCORPORATED BY REFERENCE.....	34
TERMS AND CONDITIONS OF THE NOTES	35
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM	59
USE OF PROCEEDS.....	65
BUSINESS DESCRIPTION OF ISSUER	66
TAXATION.....	92
SUBSCRIPTION AND SALE	96
FORM OF FINAL TERMS.....	99
GENERAL INFORMATION	111

RISK FACTORS

Before investing in the Notes, prospective investors should consider carefully all of the information in this Prospectus, including the following specific risks and uncertainties in addition to the other information set out in this Prospectus.

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

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

If any of the following risks actually occur, the Issuer's business, results of operations or financial condition could be materially adversely affected, and could result in an inability to pay interest, principal or other amounts on or in connection with the Notes. The Issuer believes that the factors described below represent the material risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons. The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business, results of operations or financial condition and may result in an inability to pay interest, principal or other amounts on or in connection with the Notes. 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. Furthermore, before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Notes and consider such an investment decision in light of the prospective investor's personal circumstances.

Any references in this Prospectus to the "Group" are to the Issuer and its subsidiaries and affiliates taken as a whole. All capitalised terms that are not defined in these Risk Factors will have the meanings given to them elsewhere in this Prospectus.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Impact of Dutch and German regulatory frameworks on the Issuer's business financial conditions and net income

The business, results of operations, revenue, profits, financial position, prospects and cash flows of the Issuer could be affected by the Dutch and German regulatory frameworks, which include both economic and environmental rules and regulations.

The regulated activities of the Group depend on licences, authorisations, exemptions and/or dispensations in order to operate its business. These licences, authorisations, exemptions and/or dispensations may be subject to withdrawal, amendments and/or additional conditions being imposed on the regulated activities of the Group which could affect the revenue, profits and financial position of the Issuer.

The Issuer's income also depends on interest and dividends received from its subsidiaries. Payments of interest and dividends to the Issuer from TenneT TSO B.V. including its subsidiaries ("TenneT TSO NL") and TenneT GmbH & Co KG including its subsidiaries ("TenneT TSO Germany") are generally not regulated (except as set out in the risk factors "Compliance with the Decree on Financial Management of

Grid Operators” and “*The Issuer is a holding company with no operations and relies on its operating subsidiaries to provide it with the funds necessary to meet its financial obligations*” below). However, the Issuer’s net income is to a large degree derived from the revenues of the regulated activities of its subsidiaries. Such activities of the Issuer’s regulated subsidiaries depend on governmental regulations and European legislation, which implies that, in the end, the Issuer’s net income is sensitive to regulatory amendments and decisions.

Dutch regulatory framework

The impact of the Dutch regulatory framework on the revenues of TenneT TSO NL can be described as follows.

In 2017, approximately 22% of the Issuer’s underlying consolidated revenues were generated by TenneT TSO NL and its subsidiaries. The revenues of TenneT TSO NL are subject to *ex ante*, and to some extent *ex post*, regulation by the Authority Consumer & Market (*Autoriteit Consument & Markt*) (the “ACM”). Therefore, the Dutch regulatory framework has a substantial effect on the dividend and interest income of the Issuer.

Tariff regulation

The tariffs of TenneT TSO NL are subject to *ex ante* – and to some extent: *ex post* – incentive regulation by the ACM providing for a revenue cap. This applies to both its onshore and its offshore activities. Within the regulatory framework, the ACM adopts various decisions regarding TenneT TSO NL, including method decisions, x-factor decisions and tariff decisions. The first step is a method decision, in which the ACM determines the economic framework for the statutory tasks of TenneT TSO NL for a period of 3 to 5 years. An important part of a method decision is the setting of parameters, of which the most important ones are the individual efficiency factor of TenneT TSO NL (“*theta*”, which reflects TenneT TSO NL’s efficiency as compared to, and which is determined in comparison with, other European transmission operators, the sector productivity factor (“*frontier shift*”) and the projected weighted average costs of capital (“WACC”). Other important elements are the value of the regulated asset base, expected investments and the depreciation periods used for the various assets. After the method decisions, the second step is the so-called x-factor decision, in which the ACM determines the efficiency deduction that TenneT TSO NL must apply to its revenues and (consequently) its tariffs for a period of 3 to 5 years. The last step, which is taken annually, is a tariff decision in which the ACM sets the tariffs TenneT TSO NL may charge for its statutory tasks.

TenneT TSO NL’s business, financial condition and net income is thus sensitive to and may be materially affected by regulatory decisions which are based on estimated data (such as inflation), historical data, assumptions, research, efficiency and productivity goals which may be too stringent, fail to acknowledge costs which TenneT TSO NL cannot avoid incurring and, consequently, deviate from actual values or costs made. In addition, changes in the value of the parameters or in the regulatory methodology used will impact the revenue levels of TenneT TSO NL and therefore will impact its cash flows, results of operations and financial position.

Tariff regulation for the current regulatory period (2017-2021)

On 2 September 2016, the ACM published its method decisions for TenneT TSO NL for its onshore transport and system services for the current regulatory period (2017-2021). These decisions apply for a period of five years, instead of three years for previous regulatory periods. The efficiency factor, *theta*, has been set at 0.958. The frontier shift has been lowered compared to the previous regulatory period (2014-2016) from 1.1% to 0.8% per annum for all costs. A new element is that its application has been broadened to all costs including procurement costs for ancillary services and grid losses. In its method decisions, the ACM has introduced a distinction between a WACC for existing assets and for new assets. The real pre-tax WACC for existing assets has been set at 4.3% and will linearly decrease to an allowed WACC of 3.0% at the end of the current regulatory period. The WACC for new assets has been set at 3.6% in 2016 and will also linearly decrease to

3.0% at the end of the current regulatory period. In addition, the ACM abolished the bonus malus system with capped risk for TenneT TSO NL for the procurement costs for grid losses, reactive power and congestion management for transport services. Instead, the ACM has incentivised limiting these costs by setting a fixed budget on the basis of historic costs and additionally applying a frontier shift on these costs; this effectively exposes TenneT TSO NL to full price and volume risk. The ACM also abolished the bonus malus system for the procurement costs of energy and power for system services. The budget for system services is updated on a rolling forward basis, which also effectively exposes TenneT TSO NL to full price and volume risk. TenneT TSO NL has filed *pro forma* appeals with the *College van Beroep voor het bedrijfsleven* (the “**CBB**”) against both the method decision for transport services and the method decision for system services. The judgment on these appeals is expected in either the second or third quarter of 2018. The Issuer does not expect that the appeals will materially impact its business, prospects and financial condition and net income.

On 16 September 2016, the ACM published the method decision for the offshore grid for the current regulatory period (2017-2021). As the offshore grid is still in the development phase, the method decision takes an approach different from the general regulatory framework. The allowed income for the current regulatory period consists partially of operational costs directly related to the offshore activities, which are based on actual costs of 2015 without recalculation. Furthermore, certain overhead expenditures are re-allocated from onshore to offshore. This re-allocation has no net impact on the financial position of TenneT TSO NL. All other cost items (1% operational expenditure for assets in operation, grid losses based on an annual estimation of TenneT TSO NL, t-0 remuneration for assets under construction and commissioned compensation payments) will be added to the allowed income in yearly income decisions. No benchmark/theta or frontier shift will apply in this first regulatory period. The maximum depreciation period for offshore grid assets is 20 years. The ACM applies a real pre-tax WACC of 3.6% in 2016, linearly decreasing to 3.0% in 2021. This WACC is equal to the onshore WACC for new investments. Efficient costs for offshore Rijkcoördinatiereregeling projects will be based on an ex post project specific assessment in the regulatory period 2017-2021. In future regulatory periods, the efficiency of offshore investments may be assessed using an international TSO benchmark. The remuneration of grid losses will be based on an annual cost estimation of TenneT TSO NL without recalculation. The ACM has not yet published a framework for assessing gross negligence of TenneT TSO NL in respect to compensation payments for delays in commissioning and non-availability of the grid. Based on the Dutch Electricity Act 1998 (this act, as amended from time to time, the “**Electricity Act**”), any liability of TenneT TSO NL as offshore system operator to electricity producers can be recouped through future tariffs, including any liability for simple negligence, and liability for gross negligence exceeding EUR 10 million a year.

TenneT TSO NL has filed a *pro forma* appeal with the CBB against the method decision for the offshore grid. The judgment on this appeal is expected in either the second or third quarter of 2018. The Issuer does not expect that the appeals will materially impact its business, prospects, financial condition and net income.

On 22 December 2015, the ACM published the regulatory framework for interconnectors, consisting of a competence agreement (*Bevoegdheidsovereenkomst*) and an incentive decision (*Stimuleringsbesluit*) regarding the Cobra cable and the Doetinchem-Wesel interconnector. The interconnectors will be financed through the transmission tariffs. TenneT TSO NL will receive a return on the investments equal to the regulatory WACC. ACM also stated that the efficiency of the cable is assessed on a project specific basis for a certain period instead of assessing its efficiency by means of the international benchmark (for the Cobra cable 10 years after completion (until 2030 at the latest) and for the Doetinchem-Wesel interconnector as long as the costs have not been assessed in the benchmark). There are also specific agreements on the operational expenditure remuneration of the Cobra cable during that period. The ACM distinguishes between offshore and onshore to reflect the differences in underlying cost structure (offshore: lump sum remuneration of 3.4% of the total investment costs and a recalculation afterwards of 50% of the difference between budget and realised costs; onshore: lump sum remuneration of 1%). For the Doetinchem-Wesel interconnector, the ACM indicated

that it accepts the additional costs for the use of Wintrack pylons – a new type of (extra) high-voltage pylon – as a country specific circumstance, which implies that the additional costs would be excluded from the efficiency assessment to ensure a fair comparison.

Ex post tariff recalculations

The Electricity Act provides for the possibility of correcting TenneT TSO NL's tariffs *ex post* under specific circumstances. Revenue surpluses and deficits resulting from differences between expected (*ex ante*) and realised (*ex post*) electricity transmission volumes by TenneT TSO NL are incorporated in tariffs of subsequent year(s). TenneT TSO NL therefore should not run any transmission volume risk in the long run. However, in the short run TenneT TSO NL's reported income is affected by fluctuations in volumes. In addition some other cost items are recalculated. Realised expenses for cross border tariffs (inter-TSO compensation) are fully passed through in the tariffs for subsequent years; this leads to recalculations of future tariffs without any regulatory risk for TenneT TSO NL. The ACM's approach to the reimbursement of costs of ancillary services has changed. As of 2017, the ACM has abolished the bonus malus system with capped risk for TenneT TSO NL and has shifted the entire risk of procurements costs for ancillary activities for transport and system services on to TenneT TSO NL. The ancillary services that TenneT TSO NL procures for system operations are also no longer exposed to a bonus malus system. These costs are re-estimated on a rolling forward basis. However, the differences between the budget and the realisation are borne by TenneT TSO NL. If realised costs are higher than the budget, this may have a material adverse effect on the business, financial condition and net income of TenneT TSO NL.

Furthermore, the method decisions in respect of the current regulatory period (2017-2021) give the ACM certain discretionary powers to correct TenneT TSO NL's tariffs *ex post*. Even though the ACM's method decisions determine which cost types will be recalculated, the ACM has the ability to deviate from this. Apart from the method decisions, there is also a general possibility for the ACM under the Electricity Act to recalculate tariff income, e.g. for matters which had not been foreseen at the time of the relevant method decision.

Regulatory decisions and proceedings

As mentioned above, the revenues of TenneT TSO NL are influenced by regulatory decisions including the method decisions of the ACM. The outcome of such regulatory decisions and any related or other proceedings may affect the business, financial condition and net income of TenneT TSO NL and the Issuer. In general, the assessment of exposures and ultimate outcomes of regulatory decisions and legal and regulatory proceedings involves uncertainties and may be subject to change.

For example, certain parties connected to TenneT TSO NL's network are disputing or may dispute invoiced amounts relating to transmission and system services rendered by TenneT TSO NL. The related amounts can currently not be reliably estimated and it is also unclear if all of such amounts would be recoverable by TenneT TSO NL through future tariffs.

Furthermore, TenneT TSO NL was involved in an ACM procedure regarding a claim of an industrial customer due to an unplanned outage of the 150kV network. On request of this industrial customer the ACM has decided that TenneT TSO NL does not comply with the obligation of Article 31, paragraph 12 of the Dutch electricity act that states that the high voltage grids (except for the grid at sea) are designed redundantly in order to prevent outages. TenneT TSO NL has filed an appeal against this ACM decision with the CBb. If TenneT TSO NL is not successful in its appeal, it may be required to make substantial investments in its network. Moreover, the outcome of the ACM procedure could be used as a starting point in a civil law procedure regarding the question whether TenneT TSO NL is obliged to compensate damages caused by an unplanned outage of the network. The findings in this case may have an impact on similar claims in the future.

Certification as a transmission system operator

TenneT TSO NL is currently certified as transmission system operator (a “TSO”) for the Dutch national (extra) high voltage grid and as interconnector operator for the southern part of the NorNed Cable and fully complies with all applicable requirements. In addition, TenneT TSO NL has been certified and appointed as the sole offshore grid operator in the Netherlands. There can be no assurance that either of these certifications will never be revoked and subsequently needs to be obtained again, *e.g.* because of non-compliance by TenneT TSO NL with certification requirements or change of conditions and/or regulation.

Compliance with the Decree on Financial Management of Grid Operators

The Decree on Financial Management of Grid Operators (*Besluit Financieel Beheer Netbeheerder*) (“BFBN”) contains requirements regarding the financial situation of grid operators in the Netherlands. Pursuant to article 18a paragraph 4 of the Electricity Act, a TSO which does not have a senior unsecured credit rating of at least BBB minus and fails to meet any of the financial ratios mentioned in the BFBN is required to take the following steps: (i) forthwith send a written notice to the ACM and (ii) within four weeks after such notice provide the ACM with a recovery plan describing how financial management will be improved to meet the requirements of the BFBN. In addition, a TSO which does not comply with the requirements of the BFBN may not distribute dividends to its shareholders.

TenneT TSO NL meets the BFBN requirements for 2017.

German regulatory framework

The business, results of operations, revenues, profits, financial position, prospects and cash flows of the Issuer may also be affected by the German regulatory framework applicable to TenneT TSO Germany.

Revenue structure and grid tariffs

In 2017, approximately 78% of the Issuer’s underlying consolidated revenues (excluding selling electricity from renewable energy sources or from revenues resulting from balancing of cogeneration volumes) were generated by TenneT TSO Germany and its affiliated entities. The revenues of TenneT TSO Germany are derived from the operation of the transmission grid and are subject to regulation by the German Federal Network Agency (*Bundesnetzagentur*, “BNetzA”). Consequently, TenneT TSO Germany’s overall business, financial condition and net income are – similar to TenneT TSO NL – sensitive to regulatory changes and decisions of the regulator. Such changes and decisions may impact the revenue levels of TenneT TSO Germany and may therefore impact its cash flows.

Regulation of grid tariffs

The revenues of TenneT TSO Germany are influenced by the regulatory framework as well as decisions and determinations by BNetzA. The German Energy Industry Act (*Energiewirtschaftsgesetz*, “EnWG”), the Ordinance on Incentive Regulation (*Anreizregulierungsverordnung*, “ARegV”) and the Ordinance on Tariffs for the Electricity Grid Access (*Stromnetzentgeltverordnung*, “StromNEV”) provide the main statutory framework for the regulation of network operators’ revenues. In September 2016 certain amendments to the ARegV were implemented. The majority of the changes apply to distribution grid operators only. However, some changes equally affect TSOs or are TSO-specific, most importantly changes with respect to replacement shares for so-called investment measures were implemented which may affect the revenues of TenneT TSO Germany.

Based on the allowed revenues established by BNetzA the grid operators calculate their grid tariffs independently. In this respect, TenneT TSO Germany is dependent on a series of formal regulatory decisions and assessments by BNetzA, notably the determination of the cost base level (*Ausgangsniveau*) which determines the basis for the revenue caps in each year of the regulatory period (currently: second regulatory period 2014-2018) including the calculation of the cost base level, the determination of the rates of imputed

return on equity applicable for the relevant regulatory period, the assessment and determination of the individual efficiency factor, the determination of the sectorial productivity factor and, the approval of investment measures providing financing for certain measures, particularly for grid extension and grid restructuring measures.

The calculation of the initial cost base level for the revenue cap of the next regulatory period is based on the operational and capital grid costs incurred in the third closed business year (so called “photo year”) of the current regulatory period. The year 2016 is the photo year for the upcoming third regulatory period 2019-2023. Thus, the revenue cap determined by BNetzA reflects remuneration for both operational and capital expenditures. In this respect, capital expenditures comprise in particular imputed depreciation for the regulated asset base, imputed return on equity and – to the extent consistent with market rates – the actual costs of debt.

In the context of the cost assessment for the third regulatory period, working capital investments (*Umlaufvermögen*) and expenditures (*Aufwendungen*) might be cut on a lump-sum basis by BNetzA to bring them on a level of prior years. Cuts on a lump sum-basis, as BNetzA did for other grid operators, would have a material impact on the revenue cap for the third regulatory period.

For the current second regulatory period, BNetzA had determined the following rates of return on equity (which is capped at a maximum of 40% of total capital): 7.14% (before corporate tax, after trade tax) apply to so-called “old assets”, i.e. assets commissioned prior to 1 January 2006. This reflects a real interest rate (*Realzins*) applying to acquisition and production costs subject to indexation to reflect the current value of the assets (*Tagesneuwerte*). An imputed interest rate of 9.05% (before corporate tax, after trade tax) applies to so-called “new assets”, i.e. assets commissioned on or after 1 January 2006. This reflects a nominal interest rate (*Nominalzins*) applying to historical acquisition and production costs (*Herstellungs- und Anschaffungskosten*) of the respective assets. On 12 October 2016, BNetzA published its final decision on the allowed rates of return on equity for electricity networks in Germany for the third regulatory period (2019-2023): equating to 5.12% (before corporate tax, after trade tax) for “old assets” and 6.91% (before corporate tax, after trade tax) for “new assets”. The lower rates for the third regulatory period (compared to the current regulatory period) – if they become binding – would reduce the revenue levels of TenneT TSO Germany and therefore affect its cash flows, results of operations and financial position. The decision of BNetzA has been appealed by various grid operators, including TenneT TSO Germany, TenneT Offshore 1. Beteiligungsgesellschaft mbH, TenneT Offshore 9. Beteiligungsgesellschaft mbH and TenneT Offshore DolWin 3 GmbH & Co. KG. In March 2018, the Higher Regional Court Düsseldorf decided that BNetzA used a methodically incorrect procedure to determine the rates for the return on equity for the third regulatory period. The court held the opinion that the determined rates do not reflect the market risks correctly and are determined at a level which is too low. BNetzA has indicated that it will appeal the decision of the Higher Regional Court Düsseldorf at the Federal Higher Court of Justice, which means that the initial decision of BNetzA is still enforceable and, thus, applicable, until the appeal procedure at the Federal Higher Court of Justice is finalised.

BNetzA is obliged to determine individual efficiency factors for grid operators prior to the onset of the subsequent regulatory period. Historically, for TSOs, this has been achieved via a European efficiency benchmarking. With the most recent amendment of the ARegV, it has become possible for BNetzA to directly substitute the European efficiency benchmarking with a reference grid analysis which is performed by the BNetzA as of 2018. Irrespective of the methodology applied, costs qualified as permanently non-influenceable (*dauerhaft nicht beeinflussbare Kostenanteile*) are not subject to individual efficiency review. Thus, only those costs which potentially qualify as temporarily non-influenceable costs (*vorübergehend nicht beeinflussbare Kostenanteile*) shall be subject to an efficiency benchmarking review. As a result of such review certain influenceable costs (*beeinflussbare Kostenanteile*) expressed as the share of the temporarily non-influenceable costs may be defined as inefficient. Based on an international TSO benchmark, BNetzA

determined an individual efficiency factor for TenneT TSO Germany for the second regulatory period of 97%. The determination of the individual efficiency factor for the third regulatory period (which has not yet been determined) will take into account the grid costs of the photo year 2016. Furthermore, both influenceable and temporarily non-influenceable costs are adjusted by a sectorial productivity factor and the consumer price index. While the sectorial productivity factor has been stipulated by law for the second regulatory period amounting to 1.5% per annum, BNetzA is entitled to assess and determine this factor for the third regulatory period. As a consequence, a lower individual efficiency factor and / or a higher sectorial productivity factor for the third regulatory period would negatively affect TenneT TSO Germany's profits. If TenneT TSO Germany were to become less efficient during the regulatory period, this would negatively affect its profits and financial position. BNetzA has issued a decision for the gas sector, setting the sectorial productivity factor to 0.49% (currently: 1.5%). Therefore, it may be expected that the sectorial productivity factor for the electricity sector will also be lower in the third regulatory period than the 1.5% for the current second regulatory period.

Contrary to influenceable and temporarily non-influenceable costs, permanently non-influenceable costs of TenneT TSO Germany are neither subject to individual efficiency targets nor to the sectorial productivity factor. Rather, such costs are comprehensively recognised under the revenue cap of TenneT TSO Germany. Hence, any increase or decrease of permanently non-influenceable costs will be taken into account by amending the revenue cap on a yearly basis during a regulatory period either without delay (*e.g.* for investment measures) or with a delay of two years (*e.g.* for certain grid system services). Most importantly, permanently non-influenceable costs comprise those costs recognised under approved investment measures for, *inter alia*, the construction of new (additional) transmission lines, underground cables and offshore grid connection lines.

Connection of offshore wind farms

On 28 December 2012, the German legislator introduced a "system change" in relation to the development and construction of offshore grid connection systems extending from the offshore wind farms ("OWF") to the nearest technologically and economically feasible onshore grid connection point ("OWF Connections"). TenneT TSO Germany as the responsible TSO is obliged to realise OWF Connections to the German coast of the North Sea. Offshore grid expansion is currently based on the federal offshore plan (*Bundesfachplan Offshore*) and the offshore grid development plan (*O-NEP*). This statutory framework further provides for a binding completion date of OWF Connections. To that effect, TenneT TSO Germany has to publish on its website a preliminary completion date which becomes binding 30 months prior to the envisaged completion. On the basis of planned OWFs and OWF Connections as well as under consideration of the statutory offshore grid expansion target, BNetzA allocates offshore grid connection capacities to OWFs by way of formal administrative decision. The maximum allocable (*zuweisbare*) offshore connection capacity is limited by law to 6.5 GW until 31 December 2020. However, BNetzA made use of its statutory authorisation to increase this expansion target to 7.7 GW. Furthermore, to ensure an economically efficient use of available offshore grid connection capacities, BNetzA is also allowed to re-allocate capacities for certain OWFs. In this respect, in 2015 BNetzA re-allocated 400 MW capacity of OWF "Global Tech I".

OWF Connections are normally constructed under turnkey construction agreements (so-called EPC-contracts) which are in most cases concluded between TenneT Offshore GmbH or subsidiaries of TenneT Offshore GmbH as contractees and consortiums as contractors.

The contractor of OWF Connection DolWin1 filed a judicial claim against TenneT Offshore 7. Beteiligungsgesellschaft mbH, a subsidiary of TenneT Offshore GmbH. The contractor applies for a formal declaration that TenneT Offshore 7. Beteiligungsgesellschaft mbH is not entitled to claim penalty payments resulting from delays. Instead the contractor itself claims compensation payments as well as the transfer of security bonds (*Sicherheitsbürgschaften*). Furthermore, the claimant seeks a formal declaration that TenneT

Offshore 7. Beteiligungsgesellschaft mbH is required to pay compensation for all additional costs resulting from works, damages and other disadvantages. TenneT Offshore 7. Beteiligungsgesellschaft mbH believes that the claim is unjustified. The claim is still pending. However, it cannot be ruled out that the binding ruling may have a negative impact on the financial position of TenneT TSO Germany.

In January 2017, the consortium contractor of OWF Connections BorWin 2, HelWin 1 and SylWin 1 filed judicial claims for each project against the respective contractees TenneT Offshore 1. Beteiligungsgesellschaft mbH, TenneT Offshore GmbH and TenneT Offshore 7. Beteiligungsgesellschaft mbH.

In each claim the consortium contractor applies primarily for allegedly outstanding payments and challenges the offset of those payments against the contractee's claim for penalty payments resulting from delays. TenneT Offshore 1. Beteiligungsgesellschaft mbH, TenneT Offshore GmbH and TenneT Offshore 7. Beteiligungsgesellschaft mbH, respectively, believe that the claims are unjustified. The claims are still pending. However, it cannot be ruled out that the binding ruling may have a negative impact on the financial position of TenneT TSO Germany.

In December 2017 a judicial claim was filed by the contractor of OWF Connection DolWin2 against TenneT Offshore 9. Beteiligungsgesellschaft mbH. The contractor mainly alleges that TenneT Offshore 9. Beteiligungsgesellschaft mbH is not entitled to claim penalty payments resulting from delays in completing the works. Further, the contractor claims an adjustment of the contract price due to a change in circumstances or, if that relief is not granted, declaration of additional costs. The claims are still pending. TenneT Offshore 9. Beteiligungsgesellschaft mbH believes that the claims are unjustified. However, it cannot be ruled out that a binding ruling may have a negative impact on the financial position of TenneT TSO Germany.

The realisation of OWF Connections requires large scale investments. Respective investments costs are generally approved by BNetzA under so-called investment measures reimbursement of both capital and operational expenditures. Costs approved under investment measures are qualified as permanently non-influenceable costs to which no efficiency targets apply. BNetzA approves such costs solely on the merits. By consequence, the costs are included in the revenue cap based on planned costs (at t-0). Only thereafter an annual *ex post* as-is-evaluation of the costs is conducted. Any deviations between planned and actual costs will be reflected in the regulatory account. There is a risk that BNetzA does not approve certain capital expenditures, which would have a negative effect on the financial position of TenneT TSO Germany if those cost positions are not covered through other mechanisms. Until 2017, BNetzA granted a OPEX lump sum for offshore assets of 3.4%. BNetzA has revised its decision to grant a OPEX lump sum for offshore assets. In the new ruling the BNetzA has stated that the operational expenses shall be reimbursed based on actuals with effect as from 1 January 2019. Furthermore, the operational expenses incurred in 2018 shall also retroactively be reimbursed based on actuals. TenneT TSO Germany has filed an appeal against BNetzA decision to adjust the OPEX lump sum at the Higher Regional Court in Düsseldorf. Furthermore, it cannot be ruled out that the reimbursement amount of operational expenditures will be exceeded by actual operating costs.

TenneT TSO Germany is entitled to pass through the approved costs resulting from the construction, operation and maintenance of the OWF Connections to the other TSOs (so-called horizontal cost balancing). Such pass through of costs applies to both the investment measure phase and the subsequent "regular" incentive regulation phase. Respective pass through amounts are proportional to the end consumers' share of energy consumption within the respective control areas of the TSOs. Although such horizontal cost balancing does not require any formal *ex ante* approval by BNetzA or a contractual arrangement between the TSOs, the TSOs nevertheless agreed on a horizontal balancing agreement in 2009 which was amended in 2013.

In particular under the former regulatory regime which was replaced on 28 December 2012 the construction of several OWF Connections was delayed. As a consequence of such delays, in particular operators and developers of OWFs which received an unconditional grid connection commitment before 29 August 2012

under the former regulatory regime (so-called “old cases”) may, in principle, initiate abuse proceedings against TenneT TSO Germany and/or claim damages in civil court proceedings. In 2012, the developer of the OWF “Trianel Windpark Borkum phase 1” (previously “Borkum West II”) filed a judicial claim for substantial damages incurred as a result of the delayed OWF Connection. The claim is based on the alleged infringement of the previous (now repealed) regulatory framework. On 3 March 2016, the competent court rejected the claims in their entirety. In its ruling, the court found that claims for compensation of financial losses which exceed the statutory compensation under the new statutory regime (for details see below) are unfounded. On 12 May 2017, the Higher Regional Court in Düsseldorf has also rejected the claims. The claim is now pending at the Federal Court of Justice. It cannot be entirely ruled out that the final rulings in these proceedings may have a negative impact on the financial position of TenneT TSO Germany. As part of the statutory regime effective as of 28 December 2012, the legislator also implemented an offshore liability regime. The liability regime limits the monetary impact on TenneT TSO Germany of claims regarding delays and interruptions of OWF Connections. It applies, in principle, to both OWFs which fall exclusively under the new regime as well as OWFs which received an unconditional grid connection commitment by 29 August 2012 under the former, now repealed regime (old cases).

Under this liability regime, OWF operators may claim compensation amounting to 90% of the feed-in remuneration from the eleventh day of the (continuous) delay or interruption of the OWF Connection, or as of day nineteen if multiple short interruptions add up to more than eighteen days during a calendar year. Alternatively, OWF operators can opt for a prolonged period with subsidized feed-in tariffs. If the TSO acted wilfully, the compensation would increase to 100% of lost feed-in remuneration as of day one. In case of interruptions due to maintenance work which adds up to ten days during a calendar year, the concerned OWF operators can also request compensation as of day eleven. Any further claims by OWF developers/operators for pecuniary losses other than such compensation for lost feed-in remuneration are explicitly excluded under the new statutory framework. To some extent, it is uncertain whether TenneT TSO Germany is entitled to reduce the compensation by a “correction factor” which reflects the so-called “wake effect”, i.e. the reduced (actual) feed-in by offshore turbines because of shadowing effects of other turbines. In view of the Issuer, the current practice of TenneT TSO Germany is in line with the approach of BNetzA.

In this respect, a judicial claim was lodged in December 2016 by the operator of OWF “Global Tech I” against TenneT TSO Germany and TenneT Offshore 1. Beteiligungsgesellschaft mbH. The operator claims a substantial amount of additional compensation payments under the liability regime arguing primarily that TenneT TSO Germany and/or its contractors have intentionally delayed the construction of the OWF Connection BorWin2 and that TenneT TSO Germany has incorrectly applied the statutory compensation rules. TenneT TSO Germany believes that the claim is unjustified. However, it cannot be entirely ruled out that the final rulings in this proceeding may have a negative impact on the financial position of TenneT TSO Germany. Further, TenneT TSO Germany has filed a judicial claim against OWF Riffgat to reclaim sums initially overpaid before it had been decided that the “wake effect” had to be taken into account. OWF Riffgat filed a counterclaim based on allegedly outstanding compensation payments and damages arguing TenneT TSO Germany intentionally refrained from informing OWF Riffgat about the delays of the cable laying campaign of its grid connection. TenneT TSO Germany believes that OWF Riffgat’s counterclaim is unjustified. If OWF Riffgat’s counterclaim would be adversely decided, the impact could be off set if TenneT TSO Germany’s claim against OWF Riffgat is successful and if any compensation payments could be passed through to end customers. However, it cannot be ruled out that the final rulings in this proceeding may have a negative impact on the financial position of TenneT TSO Germany.

In order to claim compensation under the liability regime, the OWF operator must demonstrate that the OWF has achieved actual operational readiness (or assumed operational readiness as specified by law) during the phase of interruption or delay. In this respect, the operator of OWF “Bard Offshore I” has filed a judicial claim against TenneT TSO Germany and TenneT Offshore 1. Beteiligungsgesellschaft mbH, a subsidiary of

TenneT Offshore GmbH. The claim is mainly based on allegedly outstanding compensation and feed-in payments in the period between 2012 and 2015. The claimant argues, inter alia, that compensation also has to be paid if the lack of the actual operational readiness results (directly or indirectly) from the interruption caused by the TSO. TenneT TSO Germany believes that the claim is unjustified and has filed a judicial claim against the OWF “Bard Offshore I” to claim possible overcompensation.

The operator of the OWF “Meerwind Süd | Ost” has filed a judicial claim against TenneT TSO Germany based on allegedly still outstanding compensation for 2014. The claimant argues that different calculation principles should be applied to the calculation of compensation – *inter alia* again with a view to the exact details of the calculation of wind profiles. The operator of the OWF “Trianel Windpark Borkum – Phase 1” filed a claim against TenneT TSO Germany regarding allegedly outstanding compensation payments in the period 2013 until 2014 based on the delay of the OWF connection DolWin1. The claimant argues that different calculation principles should be applied to the calculation of compensation of OWF. For instance, from the perspective of the OWF, TenneT TSO Germany is not entitled to reduce the compensation on basis of the so called “Wake effect”.

These legal proceedings are still pending. If and to the extent the claims were (partly) justified and the payments resulting therefrom could not be passed through to the end customers, the binding rulings may have a negative impact on the financial position of TenneT TSO Germany. In case of compensation payments to OWF operators, TenneT TSO Germany’s operational costs will increase. However, in principle, TenneT TSO Germany is entitled – possibly with a time lag – to pass through compensation payments for delays and interruptions to the other TSOs and eventually to end consumers (so-called offshore liability balancing regime). In October 2013, BNetzA issued guidelines clarifying the criteria which have to be fulfilled to be entitled to pass through compensation payments. The amounts passed through have to be proportional in relation to the end consumers’ share of energy consumption within the respective control areas of the TSOs. Subsequently, the TSOs are entitled to refinance their share of the compensation payments by charging an – annually capped – liability levy to end consumers. However, the right for TenneT TSO Germany as the connecting TSO to put compensation payments into the levy is excluded or limited (i) if the delay or interruption is caused wilfully, (ii) if not all feasible and reasonable preventive or remediation measures have been taken, or (iii) to the extent the levy charged to end consumers exceeds the threshold of 0.25 cent/kWh. In the latter case the exceeding amounts (including any pre-financing costs) may, however, be included in the levy in the following years.

Moreover, if delays or interruptions are caused by any degree of negligence of TenneT TSO Germany, the compensation amount subject to the offshore liability balancing regime has to be reduced by a deductible amount (*Eigenanteil*) for TenneT TSO Germany. However, the applicable provisions limit such deductible amount in the event of delayed connection or unavailability during operations to EUR 17.5 million per connection per (damaging) event in case of simple negligence and to EUR 110 million per year in total, irrespective of whether (several) delays or interruptions have been caused by simple or gross negligence. Although it cannot be entirely ruled out that certain delays have been or will be caused by wilful misconduct or by gross or simple negligence (which would have an impact on the profits and financial position of TenneT TSO Germany), so far BNetzA has not found that TenneT TSO Germany acted negligently or wilfully in this respect.

Cross border connections

The net transfer capacity on the German-Danish border (D-DK1) was reduced significantly in the last years due to the increasing renewable energies feed-in in the Schleswig-Holstein region. In March 2018, DG Competition opened a procedure based on art. 102 of the Treaty on the Functioning of the European Union (TFEU) against the Issuer arguing that that TenneT TSO Germany is favouring producers in Germany over Danish producers by not offering sufficient cross-border transmission capacity. The procedure follows art 9 of

Regulation 1/2003/EC and is aiming for a so-called commitment decision. The commitment negotiated by TenneT TSO Germany with DG Competition foresees an extension of the current countertrading program by 200 MW up to a level of 1300 MW and does not foresee any imposition of fines. This proposal received regulatory backing by BNetzA and is currently subject to a market consultation as part of the competition procedure. However, it cannot be entirely ruled out that there will be other competition procedures in the future related to the current European practice for the calculation of cross-border capacity which might include the imposition of a fine and/or have a negative impact on the financial position of TenneT TSO Germany.

Certification as a transmission system operator

Pursuant to the European and German legislative framework, TenneT TSO Germany – as well as other TSOs – was obligated to apply for certification as a transmission system operator to BNetzA. For certification, TSOs must demonstrate compliance with ownership unbundling requirements including, *inter alia*, sufficient financial capability and reliability. BNetzA certified TenneT TSO Germany by its decision dated 3 August 2015. Similar to TenneT TSO NL, there can be no assurance that the certification will never be revoked and subsequently needs to be obtained again, *e.g.* because of non-compliance by TenneT TSO Germany with certification requirements or change of conditions and/or regulation.

System Responsibility

In general, grid operators are obligated to operate and maintain a safe, reliable and efficient grid on a non-discriminatory basis. To this effect TenneT TSO Germany is responsible for a control area (*Regelzone*) and under the obligation to continuously ensure the capability and reliability of the transmission grid system. This requires, in particular, continuous investments in the grid as well as network-related or market-related measures. Such measures include, *inter alia*, congestion management measures to renewable energy facilities and redispatch-measures, *i.e.* the adjustment of feed-in from electricity generation or storage facilities. The legal framework applying to such system services has been amended by the Electricity Market Act (*Strommarktgesetz*) which entered into effect on 30 July 2016. The law includes, *inter alia*, amendments in relation to redispatch-measures and decommissioning of generation facilities. Costs incurred by TenneT TSO Germany resulting from such measures are normally recognised by BNetzA as grid-related costs subject to reimbursement under the incentive regulation regime.

In this context, in 2016 and 2017 the operators of the power plants Irsching 4 and 5, Franken, Heyden, Wilhelmshaven, Ingolstadt, Audorf, Itzehoe and Huntorf lodged several lawsuits against TenneT TSO Germany. The judicial claims relate to a prohibition issued by TenneT TSO Germany to temporarily decommission the power plant Irsching 4 and to allegedly outstanding compensation for redispatch-measures for the other power plants. TenneT TSO Germany believes that these claims are unjustified. The claims are still pending. Although costs resulting from redispatch-measures are generally classified as permanently non-influencible costs and thus fully reimbursed under the incentive regulation, it cannot be entirely ruled out that the outcome of these claims may have a negative impact on the financial position of TenneT TSO Germany.

In the context of the European market area, there are ongoing discussions regarding the continuous decrease of cross-border capacities that TSOs make available for cross-border trades. In this connection, TenneT TSO Germany and other German TSOs have been accused of projecting internal congestions to national borders in violation of European Union legislation, in particular the border between Germany and Denmark. TenneT TSO Germany believes that these accusations are unjustified. However, it cannot be ruled out that the ongoing discussions will result in actions from European authorities that will adversely impact the financial position of TenneT TSO Germany, either directly through claims or penalties or indirectly through other measures that impact the German market.

Operational risks and risks related to material projects

Operational, technical and realisation risk

The Issuer faces a substantial investment programme in the coming years to (i) connect renewable and conventional electricity production capacity to the grid; (ii) ensure optimal grid availability (security of supply); and (iii) ensure the further integration of the North West Europe electricity market (a region in Europe that includes the Netherlands, Germany, Belgium, Denmark, United Kingdom, France, Norway, Sweden, Finland and Luxembourg). The level, complexity and innovative character of these investment projects brings along operational risks. For example, the increased demand for new (extra) high-voltage underground connections can affect the reliability of the transmission network. Technical problems with underground cables are more expensive and require longer time to repair than problems with overhead power lines.

Furthermore, there is a risk, amongst others, of insufficient supplier capacity to realise the substantial investment programme. The development of several large projects simultaneously and introduction of new combinations of existing technology in, *inter alia*, platform design, construction and installation of offshore high voltage direct current (“HVDC”) converter stations increases realisation risks for projects. Also, due to the novelty and complexity of HVDC connections, further technical as well as operational issues might arise after the construction phase. Accordingly, should any such risks occur, these may result in increased costs, which may result in curtailment or suspension of the Issuer’s related operations. As a result, the manifestation of such risks could have a material adverse effect on the Issuer’s business, financial condition and net income.

Grid Performance / risk of blackouts

Due to more intensive grid usage, the market integration of the European electricity markets and increased feed-in from renewable energy, combined with the condition of the grid, there is an increased risk of more interruptions and/or incidents on the grid of TenneT TSO NL and TenneT TSO Germany.

The Issuer manages this risk by increasing the speed of replacements and investments in its current network, combined with improved IT-systems to steer the network. Furthermore, a terrorist attack might cause a blackout. The Issuer manages the risk of a terrorist attack mainly by improving its security measures in relation to its critical stations. To the extent that TenneT fails to manage those risks, the occurrence thereof could have a material adverse effect on the Issuer’s business, financial condition and net income.

Dependency on information technology systems

The Issuer’s operations and business processes depend on the availability of information technology (“IT”) systems. The Issuer has in place IT solutions and information security management systems to ensure the uninterrupted operation of its IT systems. Risks are significant interruptions in the availability of IT systems, inability of the Issuer to adapt to the fast changes in the IT domain and technical problems compromising the accessibility or confidentiality of business-critical information. In addition, there is a risk that the Issuer could be the target of external attempts to gain unauthorised access to its IT systems. Each of these events could have a material adverse effect on the Issuer’s business, financial condition or results of operations.

Reputational damage

The Issuer and its subsidiaries perform public tasks. Therefore, the Issuer carries an increased risk of reputational damage. Part of the Issuer’s investment programme is related to the development of the onshore grid. In case of any resistance from residents living closely to newly built onshore lines, investments can be delayed, which could affect future grid performance. Incidents or interruptions on the grid, stranded investments, delay of (large) projects or increased costs for society could also have negative effects on the Issuer’s reputation which could diminish political or public acceptance. Furthermore, the change of the energy landscape increases the complexity of mid- and long term planning. The deviation by the Issuer from earlier

made external statements could have a negative effect on its external credibility of the Issuer and its reputation, which could have a material adverse effect on the Issuer's business, financial condition and net income.

Lack or loss of highly qualified personnel

The Issuer experiences increasing difficulties in finding, attracting and retaining highly qualified technical personnel required to support its operations. A lack or loss of highly qualified staff may result in insufficient expertise and know-how and may result in unsatisfactory quality levels of the Issuer's operations, the inability to operate the Issuer's grid, delays in completion of infrastructure projects, or failure to meet strategic objectives. The occurrence of one of such risks could have a material adverse effect on the Issuer's business, financial condition and net income.

Impact of environmental issues relating to subsidiaries of Issuer on the Issuer's business, financial condition and net income

As the environment is one of the focal points in the Issuer's internal and external policies, the Issuer has an established environmental policy in order to meet all applicable environmental standards.

The operations and properties of subsidiaries of the Issuer are subject to various local and EU laws and regulations concerning the protection of the environment, including regulation of air and water quality, controls of hazardous or toxic substances and guidelines regarding health and safety. Subsidiaries of the Issuer may be required to pay for clean-up costs (and in specific circumstances, for aftercare costs) for any contaminated property they currently own or have owned in the past.

Environmental laws can impose liability without regard to whether the owner or operator had knowledge of the release of substances or caused the release. Although the Issuer does not have knowledge of its properties currently requiring immediate remediation or decontamination or other measures related to environmental obligations except as provisioned for, environmental authorities may have a different opinion. Third parties may also initiate proceedings to require decontamination. Hence, one or more of the Issuer's subsidiaries may be required to initiate a costly, extensive and time-consuming clean up at one or more of its properties, in addition to running the risk of incremental penalty payments or other penalties. Such requirements (imposed on the subsidiaries of the Issuer) could have a material adverse effect on the Issuer's business, financial condition and net income.

Although the Issuer strives to limit the impact on the environment to a maximum extent possible, due to the nature of its operations it, TenneT TSO NL and/or TenneT TSO Germany cannot entirely exclude the generation of emissions, the creation of waste, the use of non-renewable materials and their infrastructure having a negative effect on biodiversity. However, the Issuer, TenneT TSO NL and TenneT TSO Germany try to minimise the impact to the fullest extent possible. A risk with respect to emissions in both the Netherlands and Germany is posed by the use of sulphur hexafluoride ("SF6") in the absence of technically adverse alternatives for certain types of (extra) high-voltage switchgear. SF6 is a gas with greenhouse gas impact. SF6 is used in closed systems, but it may be released through small leaks and/or during maintenance work on the installation. Furthermore, the leakage of oil used in transformers and cables could have another negative local environmental impact of the Issuer operations. Therefore, polyethylene cables, which do not contain any oil are used for new projects.

Any of the above developments may affect the timing and amount of investments by the Issuer, could result in increased expenditures on the part of the Issuer and in potential liability risks in relation to damages claimed by affected persons.

Risks relating to the structure of the Issuer

The Issuer is a holding company with no operations and relies on its operating subsidiaries to provide it with the funds necessary to meet its financial obligations

The Issuer is a holding company with no material, direct business operations. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Issuer is dependent on loans, interest, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of dividends to its shareholder and the payment of interest and principal to its creditors, including the holders of the Notes (the "**Noteholders**"). The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. In this respect, reference is made to the risk factor "*Compliance with the Decree on Financial Management of Transmission System Operators*" above.

The German Limited Liability Companies Act ("**GmbHG**") provides for a strict prohibition on the repayment of the nominal share capital of a German Limited Liability Company ("**GmbH**"). Under these capital maintenance rules such GmbH is required to preserve its nominal share capital. Any payment made and/or any financial advantage granted by a GmbH to its direct or indirect shareholders (or their affiliated companies) which is not made out of the company's free net assets (*i.e.* results in the company's equity falling below the nominal share capital or deepens an existing shortfall of the company's equity below the nominal share capital) is unlawful. The capital maintenance rules are interpreted broadly and do not only apply to cash payments but also to all other types of benefits with a financial or commercial value granted by a GmbH, including, in particular, upstream guarantees and other securities. As a consequence, any financial assistance by a GmbH to its direct or indirect shareholders and/or any of their affiliates must be limited to the amount of the free net assets of the company.

Regardless of compliance with the capital maintenance rules, a shareholder may not withdraw assets from such GmbH with which such GmbH needs to fulfil its obligations towards its creditors. The removal of such vital assets is deemed a so-called "destructive intervention" (*existenzvernichtender Eingriff*). Furthermore, the GmbHG prohibits the company's managing directors from making any payment to the shareholder(s) if such payment would lead with reasonable likelihood to the company becoming illiquid (*zahlungsunfähig*) in terms of the German Insolvency Act (*InsO*) (*i.e.* insolvent due to lack of sufficient liquid assets).

Due to the above-described legal framework, the ability of the Issuer to upstream cash from TenneT TSO Germany in order to meet its obligations under the Notes is restricted. Consequently, if amounts that the Issuer receives from its subsidiaries are not sufficient, the Issuer may not be able to fulfil its obligations under the Notes.

As an equity investor in its subsidiaries, the Issuer's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Issuer is recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any security interest in or other lien on their assets and to any of their debt or other obligations that are senior to the Issuer's claims.

Influence of the State of the Netherlands as the sole shareholder of the Issuer

The Issuer is controlled by the State of the Netherlands (the "**State**"), being the sole holder of the shares in the share capital of the Issuer. The Issuer's current dividend policy is to pay 35% of the underlying distributable profit after income allocated to project investors and distributions made to hybrid capital holders as dividend to its shareholder. The State has a strong interest in maintaining a healthy financial profile for the Issuer and has agreed to lower dividends when deemed appropriate. Through its role as sole shareholder, policymaker and legislator the State has a strong influence on the Issuer's operations, which depending on the

circumstances may positively or negatively influence the Issuer's business, financial condition and net income.

On 18 October 2013, the Dutch government published its Policy on Government Participations 2013 (*Nota Deelnemingenbeleid 2013*, the "**Policy on Government Participations 2013**"). In the Policy on Government Participations 2013, the State resolved that it will seek further influence over the Issuer, *e.g.* in respect of important investments and in respect of the appointment of members of the management boards and supervisory boards of its participations (see "*Business Description of the Issuer – Corporate Governance*").

Potential conflicts of interest may exist between the objectives of the Group versus national interest of the State. In addition there is a risk of a political conflict of interest regarding national energy strategy between the Netherlands and Germany. It cannot be ensured that all decisions and actions taken by the State as the sole shareholder of the Issuer are fully compatible with the Issuer's interests. Such decisions and actions may result in lower revenues or a lower profit margin which could have a material adverse effect on the Issuer's business, financial condition and net income.

Risks resulting from joint ventures and collaborations

The Issuer engages in economic activities with other companies through joint ventures, participations and collaborations. As the Issuer does not have full control in such joint ventures, participations and collaborations, it cannot be ensured that all decisions taken within such joint ventures, participations and collaborations are fully compatible with the Issuer's interests. This may result in a deadlock situation and an inability to distribute profits or make further necessary investments. In some cases, the Issuer may receive less information relating to the business activities of these companies than it would if it were a wholly-owned Group company. Decisions made and actions taken may result in lower revenues or a lower profit margin concerning the joint ventures, participations and collaborations, which could have a material adverse effect on the Issuer's business, financial condition and net income.

Risks relating to the financing of the Issuer

Global financial and economic uncertainty

An uncertainty facing the Issuer is the extent to which the continuing global and European financial and economic volatility (including Brexit) will affect the Dutch, German, and/or wider European electricity market. An economic downturn may have an adverse effect on the financial condition of the Issuer. For instance, this might be the case if the Issuer's suppliers – due to financial difficulties – can no longer comply with their obligations and as a result projects are delayed. Also, the financial and economic volatility may influence the European capital markets as a result of which it could (temporarily) become more expensive and difficult for the Issuer to attract financing. Potential investors need to make sure that they have sufficient information regarding the global and European economic situation and outlook, so that they can make their own assessment of these issues in connection with any investments in the Notes.

(Re-)financing risk

The Issuer faces substantial financing needs in the coming years to fund its onshore and offshore investment projects in the Netherlands and Germany as well as international sub-sea (extra) high-voltage cables (see also "*Business Description of the Issuer - Funding*"). If the Issuer is unable to raise such financing, it might not be able to invest as scheduled. Any limitations on the Issuer's ability to invest as scheduled, could affect the Issuer's cash flows, and affect its ability to execute its strategic plans, which could have a material adverse effect on the Issuer's business, financial condition and net income.

Additionally, current and future problems that are and may be affecting the domestic and international debt and equity markets generally may adversely affect the availability and cost of funding for the Issuer. The

envisaged capital expenditures and ensuing financing needs of the Issuer will require that it seeks external financing, either in the form of public or private financing or other arrangements, which may not be available at attractive terms or may not be available at all. Any such limitations on the Issuer's envisaged capital expenditures could limit the Issuer's liquidity, its financial flexibility and/or its cash flows and affect its ability to execute its strategic plans, which could have a material adverse effect on the Issuer's business, financial condition and net income.

In order to mitigate the risk of the inability to secure timely financing, TenneT concluded a committed EUR 2,200,000,000 revolving credit facility (the "RCF") with a syndicate of eleven banks. The RCF matures in July 2021. However, there can be no assurance that this amount will suffice in case capital markets close or do not have sufficient capital available for a prolonged period of time.

Risk of lack of sustainable access to equity

A part of TenneT TSO NL's investments in the Netherlands will be financed through capital contributions from the Issuer's sole shareholder, the State, during the coming years. The State has decided that it will provide the Issuer with EUR 1,190 million additional equity capital to fund TenneT TSO NL's onshore and offshore investment portfolio in the Netherlands through a series of four equity capital contributions over the period 2017-2020. The last tranche of EUR 410 million will only be granted if the State considers it necessary upon review in 2019. There is a risk that the Issuer will be unable to raise equity or secure equity commitments in a timely fashion which could adversely affect its investment plans which could have a material adverse effect on the Issuer's business, financial condition or results of operations as well as the credit rating of the Issuer.

Interest rate risk

The Issuer is allowed under its current policy to partly finance itself with floating rate debt. As the reference interest rate on this debt can fluctuate, the Issuer is exposed to interest rate risk. In addition, interest rates on future debt issuances as a result of the Issuer's large financing needs are yet uncertain. Increasing interest rates will result in higher interest costs and may negatively affect the profitability of the Issuer. The Issuer's policy is to have between 50% and 100% of its debt portfolio financed on a fixed-rate basis or hedged through the use of interest rate swaps. By way of example, on 31 December 2017, approximately 95% of the senior debt portfolio of the Issuer was on a fixed rate basis or hedged and has an original maturity longer than 12 months. Adverse fluctuations and increases in interest rates, to the extent that they are not hedged, could have a material adverse effect on the Issuer's financial condition and net income.

Credit rating risk

Rating agencies have issued, and may in the future issue, credit ratings for the Issuer. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency or the Issuer if, in its judgement, circumstances in the future so warrant. A decision by any rating agency to downgrade or withdraw the Issuer's current credit rating (for whatever reason) could reduce the Issuer's funding options, increase its cost of borrowings and adversely affect its net income.

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 the 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 or Final Terms;
- (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.

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.

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.

Regulation and reform of LIBOR, EURIBOR or other "benchmarks" could adversely affect any Notes linked to such "benchmarks"

LIBOR, EURIBOR and other rates and indices which are deemed to be "benchmarks" are the subject of national, international and other regulatory guidance and recent proposals for reform. Some of these reforms are already effective whilst others are still to be implemented, including the BMR. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a "benchmark".

The BMR was published in the official journal on 29 June 2016 and applies in full as from 1 January 2018. The BMR could have a material impact on any Notes linked to LIBOR, EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the BMR, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the BMR stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the BMR and other applicable regulations, and the risks associated therewith.

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "FCA Announcement"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to LIBOR. Any such consequences could have a material adverse effect on the value and return on any such Notes. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks".

Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a "benchmark".

Notes issued at a substantial discount or premium

The market values of Notes 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 Notes. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

The Issuer's obligations under Subordinated Notes are subordinated

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated unsecured creditors of the Issuer. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

Notes in New Global Note form and Registered Notes held under the NSS

The New Global Note form and the Registered Notes held under the NSS have been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

Bearer Notes where denominations involve integral multiples

In relation to any issue of Notes in bearer form which have denominations consisting of EUR 100,000 (or its equivalent) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of EUR 100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than EUR 100,000 (or its equivalent) in his account with the relevant clearing system at the relevant time 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 its aggregate holding amounts to EUR 100,000 (or its equivalent) in order to receive such a definitive Note.

If definitive Notes are issued, holders should be aware that definitive notes which have a denomination that is not an integral multiple of EUR 100,000 (or its equivalent) may be illiquid and difficult to trade.

Risks related to Notes generally

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

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the given of such consent/instruction and prior to effecting such resolution;

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. 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.

Under the U.S. Foreign Account Tax Compliance Act, U.S. tax might be withheld with respect to certain Notes if certain events occur

With respect to (i) Notes issued after the date that is six months after the date the term “foreign passthru payment” is defined in regulations published in the U.S. Federal Register (the “**Grandfather Date**”), or (ii) Notes issued on or before the Grandfather Date that are materially modified after such date, the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“**FATCA**”) to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as “foreign passthru payments” made on or after 1 January 2019, at the earliest, to an investor or any other financial institution through which payment on the Notes is made that is a non-U.S. financial institution that is not in compliance with FATCA.

As of the date of this Prospectus, regulations defining the term “foreign passthru payment” have not yet been published. If the Issuer issues further Notes on or after the Grandfather Date pursuant to a reopening of a Tranche of Notes that was created on or before the Grandfather Date (the “**Original Notes**”) and such further Notes are not fungible with the original Notes for U.S. federal income tax purposes, payments on such further Notes may be subject to withholding under FATCA and, should the original Notes and the further Notes be indistinguishable for non-tax purposes, payments on the original Notes may also become subject to withholding under FATCA. The FATCA withholding tax may be triggered if: (i) the Issuer is a foreign financial institution (an “**FFI**,” as defined in FATCA), and (ii) the Issuer, or a paying agent through which payments on the Notes are made, has agreed to provide the U.S. Internal Revenue Service (the “**IRS**”) or other applicable authority with certain information on its account holders (making the Issuer or such paying agent a “**Participating FFI**,” as defined in FATCA) and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI that is making the payment to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of such FFI, or (b) any FFI through or to which payments on the Notes are made is not a Participating FFI.

The United States has concluded several intergovernmental agreements (“**IGAs**”) with other jurisdictions in respect of FATCA. On December 18, 2013, the governments of the Netherlands and the United States signed an Agreement to Improve International Tax Compliance and to Implement FATCA (the “**Dutch IGA**”). Under the Dutch IGA, an entity classified as an FFI that is treated as resident in the Netherlands is expected to provide the Dutch tax authorities with certain information on U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the IRS. The Issuer does not expect to be treated as an FFI; however, if the Issuer is treated as an FFI, provided that it complies with the requirements of the Dutch IGA and the Dutch legislation implementing the Dutch IGA, it should not be subject to FATCA withholding on any payments it receives and it should not be required to withhold tax on any “foreign passthru payments” that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Dutch IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a Holder’s failure to comply with FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax.

Change of law

The structure of the issue of the Notes and the ratings which may be assigned to them are based on the law of The Netherlands in effect as at the date of this Prospectus. No assurance can be given as to the impact of any

possible change to the law in The Netherlands or administrative practice in The Netherlands after the date of this Prospectus.

Dutch taxation

Under current law, payments under the Notes are not subject to withholding tax imposed by the Netherlands. In the 2017 Dutch Coalition Agreement dated 10 October 2017 (*Regeerakkoord 2017 "Vertrouwen in de toekomst"*), it has been announced that the Netherlands will introduce a withholding tax on interest paid to low-taxed jurisdictions and in abusive situations. In a letter to the Dutch parliament dated 23 February 2018, the Under Secretary of Finance announced that it is intended for the withholding tax on interest to be effective as of 2021 and that a proposal of law to that effect will be submitted to the Dutch parliament in 2019. It is mentioned in the letter that the withholding tax will be applicable to interest paid within a group. Because the exact scope of the legislation to be proposed is not known yet, it cannot be excluded that payments under the Notes will become subject to Dutch withholding tax. Should payments under the Note become subject to Dutch withholding tax under the legislation to be proposed, the Company is required to pay additional amounts and the Company is entitled to repay the Notes in accordance with Condition 6(c).

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 trading market does develop, such trading market 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 prepared 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 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 the 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 Notes and may be revised or withdrawn by the rating agency at any time. Any negative change in the credit rating of the Issuer could adversely affect the value of the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the front cover of this Prospectus and, in respect of any issue of Notes, will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to 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 qualified in its entirety by the remainder of this Prospectus. All capitalised terms that are not defined in this Overview will have the meanings given to them elsewhere in this Prospectus.

Issuer:	TenneT Holding B.V.
Description:	Euro Medium Term Note Programme.
Size:	Up to EUR 15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	ING Bank N.V.
Dealers:	<p>Barclays Bank PLC, BNP Paribas, HSBC Bank plc, ING Bank N.V. and NatWest Markets Plc.</p> <p>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.</p>
Fiscal Agent:	The Bank of New York Mellon, London Branch.
Method of Issue:	<p>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").</p>
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
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 "Overview of the Programme – 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(s).

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 be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates 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(s). 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 directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).

Maturities:

Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 50 years.

Specified Denomination:

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the EEA 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 EUR 100,000 (or its equivalent in any other currency as at the date of issue of the Notes) and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year

will have a minimum denomination of £100,000 (or its equivalent in other currencies).

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:

- (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 amended and updated as at the issue date of the first Tranche of the relevant Series), as published by the International Swaps and Derivatives Association, Inc. or
- (ii) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes:

Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.

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 which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

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. In addition, the Issuer may at any time redeem all of the Notes prior to their stated maturity if at least 80 per cent. of the Notes of such Series have been redeemed or purchased and cancelled.

Status of Notes:

Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer and Subordinated Notes will constitute subordinated obligations of the Issuer all as described in "Terms

	and Conditions of the Notes – Status".
Negative Pledge:	Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default:	Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Events of Default".
Ratings:	<p>Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.</p> <p>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.</p>
Early Redemption:	Except as provided in "Overview of the Programme – 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 the Netherlands, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions (including the ICMA Standard EU Tax exemption Tax Language), pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "Terms and Conditions of the Notes – Taxation".
Governing Law:	Dutch law.
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme on Euronext Amsterdam. Application may be made to other exchanges for Notes issued under the Programme to be listed on such other exchanges. 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:	<p>The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than EUR 100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, The Netherlands, Japan and Switzerland. See "Subscription and Sale".</p> <p>The Issuer is Category 1 for the purposes of Regulation S under</p>

the Securities Act, as amended.

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.

SUPPLEMENTARY PROSPECTUS

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 5:23 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or a further Prospectus which, in respect of any subsequent issue of Notes to be listed on Euronext Amsterdam, shall constitute a supplementary prospectus as required by section 5:23 of the Dutch Financial Supervision Act.

The Issuer 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 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.

DOCUMENTS INCORPORATED BY REFERENCE

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

1. pages 40-43 (inclusive) and pages 81-148 (inclusive) of the TenneT Integrated Annual Report 2017 (English version);
2. pages 35-39 (inclusive) and pages 73-144 (inclusive) of the TenneT Integrated Annual Report 2016 (English version); and
3. the terms and conditions of the Notes set out in previous base prospectuses: (i) dated 10 April 2017, pages 34-57 (inclusive), (ii) dated 23 May 2016, pages 36-59 (inclusive), (iii) dated 12 May 2015, pages 33-56 (inclusive), (iv) dated 11 July 2013, pages 33-55 (inclusive), (v) dated 3 February 2011, pages 24-47 (inclusive), and (vi) dated 22 January 2010, pages 24-47 (inclusive), each prepared in relation to the Programme,

save that any statement contained in a document which is incorporated by reference in this Prospectus shall, to the extent applicable, be deemed to modify or supersede (whether expressly, by implication or otherwise) statements contained in a document which is incorporated by reference of an earlier date. Any statement so modified or superseded shall not be deemed, except as so modified or suspended, to constitute a part of this Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new individual (drawdown or base) prospectus for use in connection with any subsequent issue of Notes. A supplement may be prepared by the Issuer and approved by the AFM in accordance with Section 5:23 of the Dutch Financial Supervision Act. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

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

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 terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

The Notes are issued pursuant to an amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 3 May 2018 between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent, The Bank of New York Mellon S.A./NV, Luxembourg Branch as registrar and the other agents named in it. 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**") 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 and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement 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 €100,000 (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 or a combination of any of the foregoing, 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.

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 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, 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 or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, 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 Exchanges 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 relevant 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 (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 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) or 6(f), (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 Status

- (a) **Status of Senior Notes:** The Senior Notes (being those Notes that specify their status as Senior) and the Coupons relating to them 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 Senior Notes and the Coupons relating to them 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, present and future.
- (b) **Status of Subordinated Notes:** The Subordinated Notes (being those Notes that specify their status as Subordinated) and the Coupons relating to them constitute subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the bankruptcy, insolvency, winding up or dissolution of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them shall rank in right of payment after unsubordinated unsecured creditors of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer.

4 Negative Pledge

So long as any Senior Note or Coupon remains outstanding the Issuer will not, and will ensure that none of its Material Subsidiaries 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 to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer shall, in the case of the granting of the security, before or at the same time, and in any other case, promptly, procure that all amounts payable under the Senior Notes are secured equally and rateably or that such other security or other arrangement is provided as shall be approved by an Extraordinary Resolution of the Senior Noteholders.

In these Conditions:

- (i) "**Relevant Indebtedness**" means any indebtedness which is in the form of publicly issued securities including, *inter alia*, bonds, notes or debentures, 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; and
- (ii) "**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer; and
- (iii) "**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer whose net turnover (consolidated in the case of a company which itself has Subsidiaries) represents not less than 25 per cent. of the consolidated total net turnover of the Issuer and its Subsidiaries taken as a whole, as calculated by reference to the then most recent financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then most recent consolidated financial statements of the Issuer and its Subsidiaries taken as a whole, provided that if a Subsidiary has been acquired since the date as at which the then most recent consolidated financial statements of the Issuer and its Subsidiaries taken as a whole were prepared, the financial statements shall be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by a director of the Issuer as representing an accurate reflection of the revised net turnover of the Issuer and its Subsidiaries taken as a whole); and
- (iv) "**outstanding**" means, in relation to the Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid to the Fiscal Agent as provided in the Agency Agreement and remain available for payment against presentation and surrender of Notes, Certificates and/or Coupons, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in the Conditions, (e) those mutilated or defaced Bearer Notes that have been surrendered in exchange for replacement Notes, (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Bearer Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued, (g) any temporary global Note to the extent that it shall have been exchanged for a permanent global Note and any global Note to the extent that it shall have been exchanged for one or more definitive Notes, in either case pursuant to its provisions; provided that, for the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) the determination of how many Notes are outstanding for the purposes of Conditions 10 and 11 and Schedule 3 to the Agency Agreement, those Notes that are beneficially held by, or are held on behalf of, the Issuer, or

any of its Subsidiaries and not cancelled shall (unless and until ceasing to be so held) be deemed not to be outstanding. Save for the purposes of the proviso herein, in the case of any Notes represented by a new global Note, the Fiscal Agent shall rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of each new global Note; and

- (v) "**Extraordinary Resolution**" means a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority of at least 75 per cent of the votes cast.

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(f).

- (b) **Interest on Floating Rate Notes:**

- (i) *Interest Payment Dates:* Each Floating 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(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/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).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next

longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (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)(1)).
- (d) **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).
- (e) **Margin, Maximum/Minimum Rates of Interest 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 or Redemption Amount is specified hereon, then any Rate of Interest 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 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit 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.
- (f) **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.

- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption 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 or Optional Redemption 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 or Optional Redemption 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.
- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

1. 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
2. in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**) and/or
3. 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"**):

1. 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)

2. if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365
3. if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
4. if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360
5. 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:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" 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

"**D₂**" 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

6. 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:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" 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

"D₂" 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

7. 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:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" 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

"D₂" 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

8. 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:

1. 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
2. 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

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

"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.

- (i) **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, 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) **Final Redemption:** 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).
- (b) **Early Redemption:**
1. *Zero Coupon Notes:*
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note 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.

2. *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (1) above), upon redemption of such Note pursuant to Condition 6(c) or 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount.
- (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 a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate 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 has 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 the Netherlands or 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 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 would be obliged to pay such additional amounts were a payment in respect of the Notes 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 managing directors (*bestuurders*) or other duly authorised representatives of the Issuer 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 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 (Issuer Call):** If Issuer Call 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 but excluding the Optional Redemption Date(s). Any such redemption or exercise must, if applicable, 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.

If Make-whole Amount is specified hereon as the Optional Redemption Amount, the Optional Redemption Amount per Note shall be equal to the higher of the following, in each case together with interest accrued to but excluding the Optional Redemption Date(s):

- (i) the nominal amount of the Note; and
- (ii) the nominal amount of the Note multiplied by the price (as reported in writing to the Issuer by a financial adviser (the "**Financial Adviser**") appointed by the Issuer) expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards) at which the Gross Redemption Yield on the Notes on the Determination Date is equal to the Gross

Redemption Yield at the Quotation Time specified hereon on the Determination Date specified hereon of the Reference Bond specified hereon (or, where the Financial Adviser advises the Issuer that, for reasons of illiquidity or otherwise, such Reference Bond is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Redemption Margin specified hereon

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.

In this Condition:

“**Gross Redemption Yield**” means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Issuer by the Financial Adviser.

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.

If Issuer Refinancing Call is specified hereon, the Issuer may, having given (A) not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 and (B) not less than 15 days before the giving of the notice referred to in (A), notice to the Fiscal Agent, (both of which notices shall be irrevocable), at any time, or from time to time, on or after the date falling three months prior to the Maturity Date of the Notes specified in the applicable Final Terms redeem all, but not less than all, Notes then outstanding on such redemption date (the "**Refinancing Repurchase Date**") at their nominal amount together, if appropriate, with interest accrued to (but excluding) the Refinancing Repurchase Date.

- (e) **Redemption at the Option of Noteholders (Investor Put):** If Investor Put 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 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) **Redemption of the Notes (Other):** The Issuer may at any time, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14, redeem all but not some only of the Notes for the time being outstanding at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption) if, prior to the

date of such notice, 80 per cent. or more in nominal amount of the Notes of such Series have been redeemed or purchased and cancelled.

- (g) **Change of Control:** If Change of Control Put Event is specified hereon and a Change of Control Put Event occurs, the holder of any such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c), 6(d) or 6(f) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if the State of the Netherlands ceases to: (i) own directly or indirectly (through any municipality, governmental body and/or governmental organisation) more than 50 per cent. of the total issued share capital of the Issuer or (ii) have the power directly or indirectly (through any municipality, governmental body and/or governmental organisation) to cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at general meetings of the Issuer (each such event being, a "**Change of Control**").

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 14 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of a Bearer Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 6(g) shall be treated as if they were Notes.

To exercise the Change of Control Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Change of Control Put Notice obtainable from the Registrar or any Transfer Agent within the Change of Control Put Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Change of

Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank (as defined below) and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6(g), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

- (h) **Purchases:** The Issuer and its subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured 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 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 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 Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 7(f)(5)) or Coupons (in the case of interest, save as specified in Condition 7(f)(5)), 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 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 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 fiscal or other 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 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 do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves 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 and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer 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 unexchanged Talons:**
1. Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired 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 5 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 2. Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

3. 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.
 4. 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.
 5. 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 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 in respect of the Notes and the Coupons 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 the Netherlands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer 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 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 or Coupon by reason of his having a connection with the Netherlands other than the mere holding of the Note or Coupon or

- (b) **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.

As used in these Conditions, "**Relevant Date**" in respect of any Note 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) 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 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, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 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 for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within five years from the date on which such payment first became due.

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) **Subordinated Notes:** In the case of the Subordinated Notes:
1. **Non-Payment:** default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Notes or
 2. **Insolvency:** suspension of payments (*surseance van betaling*) or bankruptcy (*faillissement*) proceedings are initiated or applied for by the Issuer, any of its Material Subsidiaries or by a third party in respect of the Issuer or any of its Material Subsidiaries, and, in the case of a third party application, not discharged within 60 days, or the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts under any applicable law, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, 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 or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries, or any such measures are officially decreed, under any applicable law.
- (b) **Senior Notes:** In the case of Senior Notes:

1. **Non-Payment:** default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Notes or
2. **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or 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
3. **Cross-Default:** (A) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Material 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 (3) have occurred equals or exceeds EUR 50,000,000 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), unless the Issuer or such Material Subsidiary is contesting in good faith before a competent court that such indebtedness, guarantee or indemnity amount, as the case may be, is due in which case such default will only become effective (subject to the following proviso) when such court has set out a definitive ruling that such indebtedness, guarantee or indemnity amount, as the case may be, is due provided that, in any event, such default shall become effective six months after a notice is given to the Issuer by a holder of a Note that such Note is repayable pursuant to this Condition 10 or
4. **Enforcement Proceedings:** an *executoriaal beslag* (executory attachment) or a *conservatoir beslag* (interlocutory attachment) is made, or an other attachment, distress, execution or other legal process under any law is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not cancelled, withdrawn, discharged or stayed within 30 days or
5. **Insolvency:** suspension of payments (*surseance van betaling*) or bankruptcy (*faillissement*) proceedings are initiated or applied for by the Issuer, any of its Material Subsidiaries or by a third party in respect of the Issuer or any of its Material Subsidiaries, and, in the case of a third party application, not discharged within 60 days, or the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts under any applicable law, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, 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 or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries, or any such measures are officially decreed, under any applicable law or
6. **Winding-up or cession of business:** an order is made or an effective resolution passed for the winding-up, administration, dissolution or liquidation (*ontbinding, vereffening*) of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or threaten to cease to carry on all or a substantial part of its business or operations, in each case except for

the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, demerger 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 Material Subsidiary, under a solvent winding-up pursuant to a shareholders' resolution whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in, and its liabilities are assumed by, the Issuer or another of its Material Subsidiaries or

7. **Authorisation and Consents:** the failure of 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 lawfully to enter into, exercise its rights and perform and comply with its 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 the Netherlands is not taken, fulfilled or done where such failure would result in a material adverse effect on the ability of the Issuer to perform its obligations under the Notes or
8. **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

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 or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal 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 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, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, 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 90 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.

- (b) **Modification of Agency Agreement:** The Issuer 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, Coupons and Talons

If a Note, Certificate, 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, 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, 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, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, 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 the Netherlands (which is expected to be *Het Financieele Dagblad*). 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 or Coupon 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 otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge

to the Issuer to the extent of the amount in the currency of payment under the relevant Note or Coupon 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 or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer 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 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 or Coupon or any other judgment or order.

16 Governing Law and Jurisdiction

- (a) **Governing Law:** The Notes, 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, Dutch law.
- (b) **Jurisdiction:** The District Court of Amsterdam and its appellate courts are to have (non-exclusive) jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. This submission is made for the benefit of each of the holders of the Notes, 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).

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 Depository.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the "Common Depository") 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 Depository, 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 an 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 Depository 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:

- (i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, 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 if principal in respect of any Notes is not paid when due.

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 in respect of interest 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, 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 and Record Date

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(d) will apply to the 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 in the Register at the close of business on the record date which shall be 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 five years from the date the relevant payment first became due.

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 or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest (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 serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, 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 under the terms of direct rights set out in the Global Note 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. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

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.

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding (an "Electronic Consent" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

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.

An example of such particular identified use of proceeds may be, if so designated in the relevant Final Terms, the allocation of net proceeds from the Issue of a certain Tranche of Notes to a sub portfolio (the “**Green Project Portfolio**”) with the special purpose to finance, refinance and/or invest in Eligible Green Projects (as defined below) meeting the Eligibility Criteria (as defined below) or other sustainable energy projects meeting certain defined criteria as set out in the applicable Final Terms.

Usage for Eligible Green Projects

“**Eligible Green Projects**” means projects relating to the transmission of renewable electricity from offshore wind power plants into the onshore electricity grid using direct current technology or alternating current technology.

“**Eligibility Criteria**” means the criteria prepared by the Issuer. A second party consultant (*e.g.* oekom research AG) will review the selected Eligible Green Projects and issue a second party opinion based on the Eligibility Criteria. The second party-opinion will be made available on the Issuer's website (www.tennet.eu).

Pending allocation to Eligible Green Projects of the net proceeds for investment in Eligible Green Projects, the Issuer will hold such net proceeds, at its discretion, in cash or other liquid marketable instruments in its Green Project Portfolio. The balance of the Green Project Portfolio, until such amount is used in full, will be reduced by the amounts invested in Eligible Green Projects meeting the Eligibility Criteria. The Issuer will establish systems to monitor and account for the net proceeds for investment in Eligible Green Projects in order to ensure the allocation of such net proceeds to the Green Project Portfolio for the investments in Eligible Green Projects meeting the Eligibility Criteria.

The Issuer is expected to issue a report on (i) the impact of the Eligible Green Projects on the environment, as well as (ii) whether the net proceeds issued under the green bonds are used to finance Eligible Green Projects. This report will be issued once a year until all Notes which were issued for the purpose of financing, refinancing and or/investing in Eligible Green Projects are repaid in full or until the maturity date of these Notes. The report will be reviewed by a second party consultant or with limited assurance by an independent auditor. In addition, the Issuer is expected to provide regular information through its website (www.tennet.eu) and/or newsletters to investors on the environmental outcomes of the Eligible Green Projects.

BUSINESS DESCRIPTION OF ISSUER

Introduction

The Issuer was incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands on 28 April 1994 and operates under the laws of the Netherlands. The Issuer has its corporate seat in Arnhem, the Netherlands and has its registered office at Utrechtseweg 310, 6812 AR Arnhem, the Netherlands (telephone number +31 26 373 1111). The Issuer is registered with the Dutch Chamber of Commerce under registration number 09083317. The Issuer's legal entity identifier (LEI) is 724500LTUWK3JQG63903.

Objects

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

“2.1. The objects of the company are to, directly or indirectly, participate in or to take an interest in any other way in, and to conduct the management of other business enterprises with objects as described in this paragraph and paragraph 2 of this article or objects which are similar or related thereto, furthermore to finance third parties and to provide security or undertake the obligations of third parties in any way, as well as to do everything that is in conformance with the provisions of this article or related or conducive thereto in the broadest sense.

2.2. The objects of the other business enterprises mentioned in paragraph 1 of this article may include:

- (a) to provide for the transport and dispatch of electrical energy;
- (b) to install, operate, manage and/or maintain networks intended for the transport of electricity, including connections that cross national borders as well as to measure the electrical energy supplied to and/or withdrawn from these networks;
- (c) to render system services and other services for the electricity supply within the Netherlands and abroad;
- (d) to conduct operations and/or to promote market forces in the area of energy and the environment, including but not limited to operating exchanges and other trading and market places, registering and issuing rights and certificates and issuing subsidies and other payments;
- (e) to lease, to allow third parties to use or to make available in any other way facilities, goods and/or rights, including networks connected by optical fibre cables and telecommunication equipment and areas belonging to masts and buildings;
- (f) to conduct operations related or connected to the above objects as well as to perform all other tasks charged to the company in or pursuant to any statutory scheme or designation from competent authorities; and

as well as to do everything that is in conformance with the above objects or related or conducive to the above objects in the broadest sense.

As long as the company is part of a group with the transmission system operator it is not permitted to engage in acts or activities that may be contrary to the interest of the operation of electricity transmission systems.”

Capitalisation and Group Structure

The authorised share capital of the Issuer is EUR 500,000,000, comprising of one million registered shares with a nominal value of EUR 500 each. A total of two hundred thousand registered shares have been issued, all of which are fully paid.

The Issuer's sole shareholder is the State, represented by the Ministry of Finance (as opposed to the Ministry of Economic Affairs being the legislator in respect of the energy sector). On 18 October 2013, the Dutch government published its Policy on Government Participations 2013. In this policy the State categorised its participations in three categories:

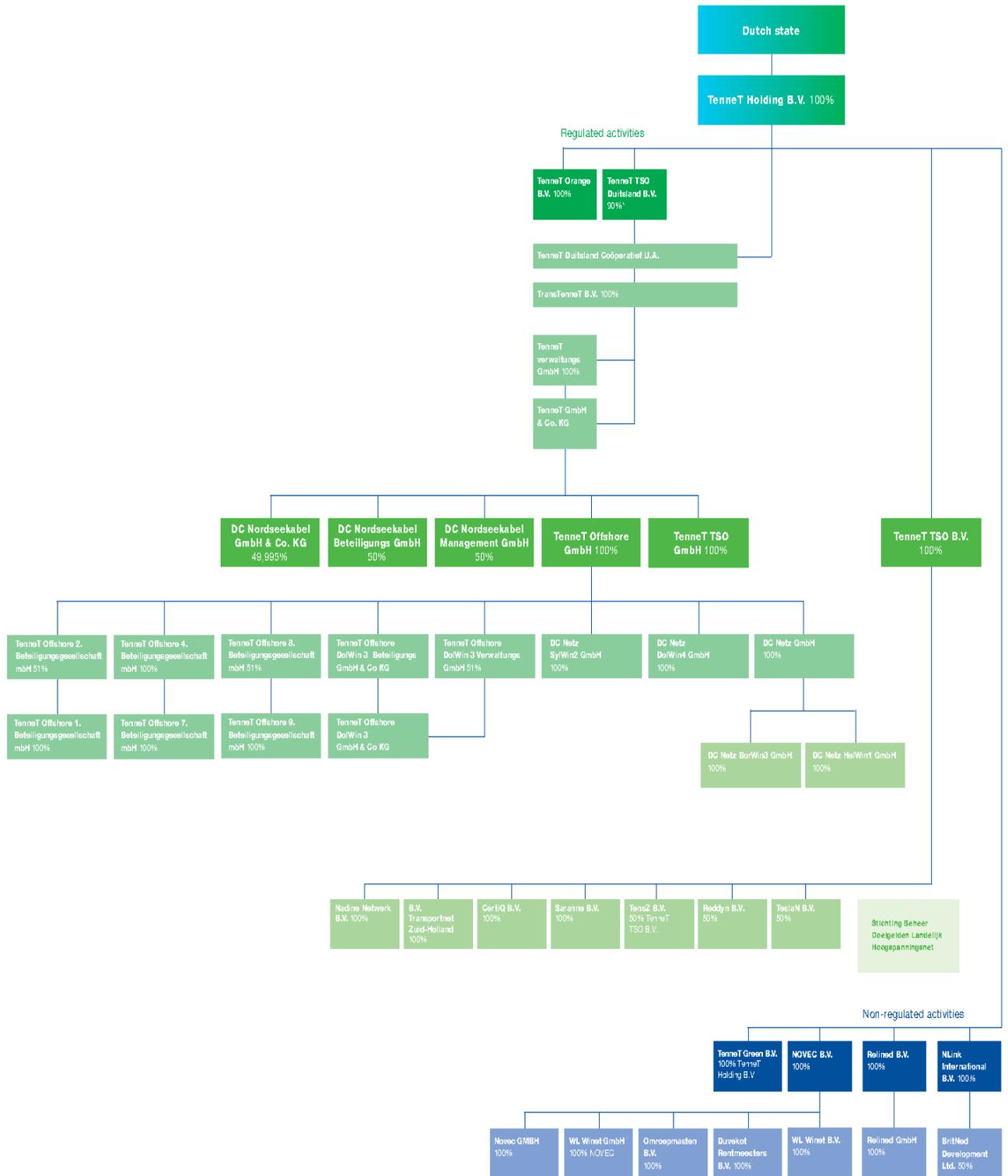
1. predetermined temporary state-ownership;
2. permanent state-ownership; and
3. non-permanent state-ownership.

The category "permanent state-ownership" contains participations in respect of which the Dutch government deems it important that the State maintains a controlling influence by means of at least a majority stake. It does not entail that there cannot be any additional private or public shareholders. However, the State must maintain a controlling interest. The State's participation in the Issuer has been placed in the "permanent state-ownership" category. The Dutch government will not seek private parties to make risk-bearing investments in the Issuer's Dutch activities. However, the Dutch government may review the possibility of entering into strategic cooperations or cross-participations with other transmission system operators certified under the European rules by means of cross-participations. No such transaction will, however, take place before the Second Chamber of the Dutch Parliament has been consulted.

In the Policy on Government Participations 2013, the State announced that (i) for the time being, it wishes to retain full ownership of the Issuer and (ii) it will hold annual reviews of the State's participations. Every participation (including the Issuer), shall be evaluated at least once every seven years in order to determine whether it is still feasible and in the public interest for the State to keep a majority interest in such participation. Such review will focus on an assessment of (i) the public framework, (ii) corporate governance, (iii) the economic position, (iv) the strategic environment of the participation and (v) the manner in which public interest are met. Furthermore, the Policy on Government Participations 2013 provides that the State will seek to increase its influence over certain of the Issuer's business decisions and the Issuer's corporate governance (see "*Risk factors – Risks relating to structure of the Issuer – Influence of the State of the Netherlands as the sole shareholder of the Issuer*" and "*Business Description of the Issuer – Corporate Governance*"). It is noted that the business of the Issuer is regulated by the European Union's third package on the internal energy market (including the third EU Electricity Directive 2009/72/EC) and the Electricity Act (as amended to implement the aforesaid Electricity Directive 2009/72/EC).

The current Group structure, headed by the Issuer, was established in 2005 through a number of mergers and demergers with the objective to separate regulated and non-regulated activities of the Group in accordance with article 17a of the Electricity Act. All Dutch regulated activities of the Group are performed by either TenneT TSO NL or one of its subsidiaries. With a few exceptions, TenneT TSO NL and its subsidiaries are not allowed to perform activities that could create competition with third parties. Any permitted unregulated activities are performed by subsidiaries (excluding TenneT TSO NL and its subsidiaries) and participations positioned directly under the Issuer or directly or indirectly under such subsidiaries. The unregulated activities of these subsidiaries are not allowed to conflict with the – regulated – interests of TenneT TSO NL. All German regulated activities are performed by TenneT TSO Germany and its subsidiaries.

The legal structure of the Group as of 31 December 2017 is as follows (minority participations excluded):



* 10% Stichting Beheer Doelgedelen Landelijk Hoogspanningsnet

History and development of the Issuer

The history and development of the Issuer is inextricably linked with the history and development of the Dutch and German electricity markets.

Dutch electricity market

The Dutch electricity market is regulated by the Electricity Act. Many provisions of the Electricity Act are detailed in subordinate legislation laid down by the Crown, the Minister of Economic Affairs and the ACM. The ACM is the market regulator and has comprehensive *ex ante* and *ex post* regulatory powers, which include the adoption of binding conditions and tariffs for third party network access.

Under the Electricity Act, generation and supply activities on the one hand and network operation activities on the other may not be integrated in one legal entity. When the Electricity Act was implemented in 1998, the generation companies and the distribution companies had to transfer the operation and management of their electricity networks to separate limited liability companies. These separate limited liability companies must operate independently and provide non-discriminatory network access against regulated tariffs and conditions. As of 1 January 2011, the network companies have to be fully unbundled from energy (including electricity) generation, trading and supply companies. TenneT TSO NL and its predecessors have been fully unbundled since they started operations under the Electricity Act.

Transmission system operators must operate, maintain and develop their installations in an efficient, safe, reliable and environmental friendly manner. The Dutch electricity network is laid out in a “cascade” of voltage levels. The national transmission network is operated at 220 kV or 380 kV (extra high voltage) and at a tension level of 110 kV or 150 kV (high voltage). Distribution networks are operated at levels of up to 50 kV.

All Dutch regulated activities of the Group are performed by TenneT TSO NL and its subsidiaries. TenneT TSO NL operates substantially all networks with a voltage level of 110 kV, 150 kV, 220 kV or 380 kV. The lower voltage networks are operated by various regional distribution network companies.

The third Electricity EU Directive (2009/72/EC) requires that an operator is certified by the national regulatory authority before it is approved and designated as a transmission system operator. By decision of 18 December 2013, the ACM has certified TenneT TSO NL as the transmission system operator for the Dutch National HV Grid (as defined below) and as an interconnector operator for the southern part of the NorNed Cable. In addition, TenneT TSO NL has been certified and appointed as transmission system operator for the Dutch offshore grid on 13 June 2016 and 5 September 2016, respectively.

TenneT TSO NL’s tasks can be distinguished in system operation tasks, aimed at maintaining the balance of the Dutch electricity system and contributing to the maintenance of the balance of connected systems in Europe on the one hand, and the transmission task to provide non-discriminatory access to its networks on the basis of civil law contracts on the other. TenneT TSO NL’s tasks are subject to published tariffs and conditions adopted by the ACM. Also on regional network operators rests the latter task in respect of their respective grids. Some of the tasks imposed on TenneT TSO NL are described in more detail in “*Description of the Issuer – Business – Dutch Regulated business*” below.

In December 2016, the Minister of Economic Affairs published a legislative proposal, which includes amendments to the Gas Act (*Gaswet*) and the Electricity Act (*wetsvoorstel ‘Voortgang Energietransitie’*), which proposal has been approved by Dutch parliament (*Tweede Kamer*) on 30 January 2018 and by the Dutch senate (*Eerste Kamer*) on 3 April 2018. The earliest date on which it could, and it currently is expected that it will, enter into force is 1 July 2018. The amendments will limit the scope of the activities that TenneT TSO NL is allowed to perform outside its statutory tasks as a TSO. In addition, the amendments will limit the

scope of the activities of other Group companies. The amendments will also offer TenneT TSO NL the possibility to enter into cross-participations with other TSO's.

Offshore grid

In 2013, the Dutch government set goals in the National Energy Agreement to connect 3,450 megawatt ("MW") of offshore wind energy to the grid by 2023. In its energy agenda from December 2016, the Dutch government announced that the plans for offshore wind will be extended after 2023, in accordance with existing practice.

In 2014, the Issuer presented a concept for connecting offshore wind in the Netherlands. This concept provides direct connection of offshore wind turbines to five newly designed standard TenneT 700 MW platforms. The offshore platforms will be connected to the onshore grid via 220 kV alternating current cable connections and may serve one or more offshore wind farms, thereby reducing the total number of required platforms. The platforms may also be used to connect wind farms further offshore through a "hubbing" technique that interconnects several offshore platforms. This requires a new platform design which will be used as standard for the currently foreseen five offshore TenneT platforms in the Dutch part of the North Sea.

Following the amendment of the Electricity Act on 1 April 2016, TenneT TSO NL has been certified and appointed as the sole offshore grid developer and operator in the Netherlands.

German Electricity Grid Market

The German electricity grid market is subject to a comprehensive regulatory regime governed by numerous acts and ordinances which are subject to constant modifications and amendments. The main pieces of legislation are the EnWG and certain ordinances, most notably the Ordinance on Access to the Electricity Supply Grid (*Stromnetzzugangsverordnung*, "**StromNZV**"), the StromNEV and the ARegV. BNetzA is the competent regulatory authority *vis-à-vis* TenneT TSO Germany. Main areas of regulation are grid access including grid access terms and conditions such as grid tariffs (subject to incentive regulation), grid connection, grid development and grid system services.

Similar to Dutch requirements, German electricity grid operators have to be unbundled from other business operations of a vertically integrated energy utility. In order to guarantee a transparent, non-discriminatory operation of the electricity grid, the EnWG not only provides for separate accounting but also for legal, operational and informational unbundling. In addition, based on the European Union's third legislative energy law package (including the third Electricity EU Directive 2009/72/EC) and corresponding rules in the German statutory framework, TSOs are subject to ownership unbundling obligations. In this respect, TSOs have to be certified in order to ensure compliance with ownership unbundling requirements. TenneT TSO Germany was certified by BNetzA on 3 August 2015.

TenneT TSO Germany is under a general obligation to operate a safe, reliable and efficient transmission grid on a non-discriminatory basis. Furthermore, TenneT TSO Germany is required to maintain, develop and optimise its grid meeting the demands (*bedarfsgerechter Ausbau*) to the extent this is economically reasonable. To this effect, the four German electricity TSOs which operate control areas, namely TenneT TSO Germany, Amprion GmbH, 50Hertz Transmission GmbH and TransnetBW GmbH, are under an obligation to issue an (onshore) network development plan (*NEP*) and an offshore network development plan (*O-NEP*) every two years.

The NEP must include all measures required for an optimisation, reinforcement and expansion of the transmission grid necessary to meet transmission demands for the period of ten and fifteen years, respectively. Following a consultation process, the network development plan needs to be approved by BNetzA. On this basis, the federal requirement plan (*Bundesbedarfsplan*) is adopted by the German legislator at least every four years which shall be binding for the TSOs.

The O-NEP takes into account the federal offshore plan (*Bundesfachplan Offshore*) issued by the German Maritime and Hydrographic Agency (*Bundesamt für Seeschifffahrt und Hydrographie*). The O-NEP is aimed at a more coordinated and harmonised planning of, but also an improved control of investments in and construction of OWF Connections in order to coordinate the expansion of the German offshore transmission grid. The draft offshore grid development plan 2025 was approved by BNetzA on 25 November 2016. As of 2025, the planning of the offshore grid development will exclusively be based on the (offshore) area development plan under the Offshore Wind Act (*Windenergie-auf-See-Gesetz*) which came into effect on 1 January 2017. Thus, the (offshore) area development plan will replace the current regime of federal offshore and offshore network development plans.

The extra high voltage grid in Germany (380 kV and 220 kV) is operated by the four abovementioned TSOs which have interconnected their transmission grids through national interconnector lines to form the German interconnected system (*Verbundnetz*). This interconnected system together with parts of Denmark, Luxembourg and Austria form the “German control block”.

Similar to TenneT TSO NL’s tasks, TenneT TSO Germany is required to maintain the balance of the German transmission grid system within its control area (*Regelzone*) and thereby contribute to the balancing of the interconnected systems in Europe. TenneT TSO Germany is not active in any downstream (distribution) grid operations. In addition, TenneT TSO Germany is required to grant third party access to its transmission grid on an economically reasonable, non-discriminatory and transparent basis. The German Incentive Regulation Ordinance (*Anreizregulierungsverordnung*) (the “**ARegV**”) provides for an incentive regulation framework which governs the allowed revenues from which grid access tariffs are consequently derived. This includes also the framework of so-called investment measures providing timely reimbursement, particularly for grid extension and grid restructuring measures such as OWF Connections. In September 2016, the ARegV was amended. Although the majority of the changes only apply to distribution grid operators, some changes equally affect TSOs or are TSO-specific. An example of the latter are the revised rules for determining replacement shares for investment measures which are not already applied for. Instead of applying a lump sum approach, these replacement shares must now be determined specifically for each individual project.

Further, TenneT TSO Germany is required to grant grid connections to grid users such as large industrial customers and power plants on a non-discriminatory basis. This includes the obligation to construct and operate OWF Connections necessary to connect OWFs in the North Sea to the German onshore electricity grid system.

Continuous investments in the (expansion of the) grid infrastructure as well as network-related or market-related measures are employed to avoid potential or to counter existing congestions in the transmission grid. Such measures include, *inter alia*, the competence to prohibit the permanently or temporarily decommission of electricity generation or storage facilities if such facilities are deemed “system-relevant”, and furthermore the application of so-called redispatch measures as well as congestion management measures. The legal framework applying to such measures and system services was amended in 2016 by the Electricity Market Act (*Strommarktgesetz*) including changes in particular in relation to redispatch measures and decommissioning of generation facilities (for details see “*Risk factors – Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme – Impact of Dutch and German regulatory frameworks on revenue, profits and financial position of the Issuer – German regulatory framework*”).

History of the Issuer

Under the Electricity Act 1989 (*Elektriciteitswet 1989*), the operation and maintenance of the electricity transmission system in the Netherlands was based on a systemic cooperation between four vertically integrated electricity companies, owned by provinces and municipalities. The embodiment of this cooperation

was N.V. Samenwerkende Elektriciteits-productiebedrijven (“**Sep**”). The four electricity companies were N.V. Elektriciteitsbedrijf Zuid-Holland, N.V. Elektriciteits-Productiemaatschappij Oost- en Noord-Nederland, N.V. Elektriciteits-Productiemaatschappij Zuid-Nederland and Energieproductiebedrijf UNA (together: the “**Sep Shareholders**”). Each of the Sep Shareholders owned 25% of the shares in Sep. Sep owned 67% of the 220/380 kV grid as well as the cross-border interconnections. The remaining part of the 220/380 kV grid was owned by Sep Shareholders, but put at Sep’s disposal to enable it to manage the 220/380 kV grid in its entirety. On 28 April 1994, Sep incorporated Dutch Electricity Consulting Services B.V. (“**DELCO**S”) as its 100% subsidiary. DELCO S has undergone several name changes and is currently named TenneT Holding B.V.

In 1998, the Electricity Act entered into force. The Electricity Act created a legal basis for a gradual liberalisation of the electricity market (completed in July 2004). It furthermore compelled majority owners of the transmission and distribution electricity grids (therefore including Sep) to appoint separate legal entities as grid managers and to transfer to these legal entities the management of the grids. These entities were from then on exclusively charged with the fulfilment of statutory tasks relating to the operation, maintenance, renewal and extension of the grids.

For the 220/380 kV grid as well as the cross-border interconnections of 500 V and higher, the Electricity Act introduced the function of national grid manager. The national grid manager’s tasks include transmission system services, which means that it is the national TSO as well. As owner of 67% of the 220/380 kV grid, Sep was obliged to appoint the national grid manager. Sep appointed DELCO S on 21 October 1998. Until that appointment, DELCO S had not performed any holding activities or any other activities and was a subsidiary of Sep.

On the same date, Sep transferred the beneficial ownership of the 220/380 kV grid and of the cross-border connections of 500 V and higher (to the extent owned by Sep) to DELCO S and granted DELCO S an option to also request the legal ownership thereof. DELCO S was renamed TenneT, Manager Landelijk Elektriciteitsnet B.V. on 21 October 1998 and renamed TenneT, Transmission System Operator B.V. (“**TenneT, Transmission System Operator**”) on 14 January 1999.

On 2 February 2001, a demerger of Sep (in the meantime renamed B.V. Nederlands Elektriciteit Administratiekantoor, “**NEA**”) was effectuated whereby Saranne B.V. (“**Saranne**”) was incorporated. At this occasion, NEA transferred its legal ownership of the 67% part of the 220/380 kV grid as well as of the cross-border interconnections of 500 V and higher to Saranne, leaving the option for TenneT, Transmission System Operator to request a transfer of the legal ownership to it intact. All shares in the capital of Saranne were issued to NEA. On 25 October 2001, NEA transferred all shares in TenneT, Transmission System Operator and all shares in Saranne to the State of the Netherlands.

On 18 December 2003, TenneT, Transmission System Operator acquired all shares in the capital of B.V. Transportnet Zuid-Holland (“**TZH**”), owning the entire 150 kV grid and part of the 380 kV in the province of Zuid-Holland. At the time TenneT neither owned nor managed any other 110 kV or 150 kV grid.

On 19 December 2005, TenneT, Transmission System Operator was converted into a holding company and renamed TenneT Holding B.V. The holding structure came into existence by way of a de-merger whereby TenneT TSO NL was incorporated. As a de-merged company, TenneT TSO NL obtained all assets of the Issuer, including the beneficial ownership of the 220/380 kV grid (with the exception of those parts that were still owned by the former Sep Shareholders or their legal successors) and the cross-border interconnections of 500 V and higher, as well as the shares in the capital of Saranne, TZH, TSO Auction B.V. (liquidated on 1 July 2013), EnerQ B.V. (“**EnerQ**”) and CertiQ B.V. (“**CertiQ**”) (see also “*Description of the Issuer – Business – Subsidiary overview – Dutch regulated activities*” below). EnerQ has been liquidated because of the fact that its activities have been transferred to SenterNovem (currently part of Agentschap NL, an Agency

of the Dutch Ministry of Economic Affairs). The shares in the non-regulated activities (*i.e.* in APX Holding B.V. (the former APX B.V.), NLink International B.V., European Energy Auction B.V., New Values B.V. and NOVEC B.V.) were subsequently transferred by separate deeds to the Issuer. European Energy Auction B.V., APX Holding B.V. and New Values B.V. do not form part of the Group anymore.

As beneficial owner of the majority of the 220/380 kV grid, TenneT TSO NL appointed itself as manager of the 220/380 kV grid and the 150 kV grid in the province of South-Holland, replacing TenneT, Transmission System Operator B.V., which had become TenneT Holding B.V. The Minister of Economic Affairs has given the requisite statutory approval for this appointment. An appointment lasts ten years (from the date of the approval by the Minister of Economic Affairs). By decision of 18 December 2013, the ACM has certified TenneT TSO NL as transmission system operator.

As a result of the legal restructuring in December 2005, the Dutch regulated business of national grid manager and national transmission system operator is now being performed by TenneT TSO NL. The current unregulated business (mainly focusing on electricity spot market and clearing activities (through an indirect shareholding in EPEX Spot SE (“EPEX”) and its subsidiaries, and a minority stake in Holding des Gestionnaires de Réseau de Transport d’Électricité S.A.S. (“HGRT”), telecom activities (NOVEC B.V. and Relined B.V. and their respective subsidiaries) and submarine cables (NLink International B.V.)) are being performed by other subsidiaries or participations of the Issuer. These unregulated activities are not allowed to conflict with the activities of TenneT TSO NL (see also “*Description of the Issuer – Business – Subsidiary overview – unregulated activities*” below).

In November 2006, an amendment to the Electricity Act was enacted pursuant to which the “national electricity (extra) high voltage grid” – which pursuant to the Electricity Act is to be managed by the national grid manager – has been redefined so as to include the 110 kV and 150 kV grids in addition to the 220 kV and 380 kV grids and the cross-border interconnections of 500 V and higher. This amendment entered into force on 1 January 2008. As a consequence, TenneT TSO NL, being the legally appointed national grid manager of the national electricity (extra) high voltage grid, from 1 January 2008 had to take over the management of the 110 kV and 150 kV grids from the relevant regional grid managers. An exception applies for the time being to the 150 kV “Randmeren” grid, managed by Liander N.V. (and sub managed by TenneT TSO NL further to a sub management agreement which entered into force on 1 August 2009). This exception applies because no satisfactory solution has been reached with regards to third parties’ rights under cross-border lease transactions to which these grids are subject. In 2009, TenneT TSO NL acquired the high voltage grids still owned by Enexis B.V., Liander N.V. and Delta N.V. In 2015, TenneT TSO NL acquired the 150 kV grid formerly owned by Stedin B.V. TenneT TSO NL at the moment owns all of the national electricity grids of 110 kV and higher (excluding the 150 kV “Randmeren” grid still owned by or through Liander N.V. and certain exemption holders) and has a legal monopoly with respect to the management of the National HV Grid on the basis of the Electricity Act. The maintenance of the grids is performed by joint ventures that TenneT TSO NL entered into with Delta (TeslaN B.V.), Stedin (TensZ B.V.) and Liander (Reddyn B.V.). TenneT TSO NL also manages and directly owns the cross-border interconnectors with alternating current and has a 50 per cent interest in the NorNed Cable.

In July 2012, in order to implement the third Electricity EU Directive (2009/72/EC), an amendment to the Electricity Act was enacted pursuant to which the “national electricity (extra) high voltage grid” was redefined, including the cross-border interconnections with alternating current (AC) (hereinafter together defined as the “**National HV Grid**”). A separate definition for managers of interconnectors, *i.e.* cross-border interconnections with direct current, has furthermore been introduced.

The Issuer indirectly wholly owns the subsidiary transpower GmbH & Co. KG (subsequently renamed TenneT GmbH & Co KG), a limited partnership (*Kommanditgesellschaft*) organised under the laws of Germany, acquired from E.ON AG, with economic effect as of 1 January 2010, all of the issued and

outstanding shares of the German extra high voltage grid operator transpower stromübertragungs GmbH (subsequently renamed TenneT TSO GmbH), a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised under the laws of Germany, as well as, indirectly, all of the issued and outstanding shares of Transpower Offshore GmbH (which subsequently became a sister company of TenneT TSO GmbH and was renamed TenneT Offshore GmbH), at the time a wholly-owned subsidiary of Transpower Stromübertragungs GmbH organised as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany (the “**Acquisition**”).

The Acquisition has enabled the Issuer to integrate the Dutch and (part of) the German extra high voltage transmission grids, allowing it, in the opinion of the Issuer, to take a leading role in Europe and to continue developing an effectively functioning electricity market. The benefits of the Acquisition for the Issuer include price equalisation, improved grid balancing, greater insight into grid situations, better possibilities for sustainable development in both countries and certain cost synergies.

In December 2012, the Issuer and Mitsubishi Corporation concluded their partnership with respect to two OWF Connections, BorWin1 and BorWin2. In that perspective, Mitsubishi Corporation has 49% of the voting interest and 69% of the economic interest in the German special purpose vehicle TenneT Offshore 2. Beteiligungsgesellschaft mbH. In April 2013, Mitsubishi Corporation acquired two further OWF Connections, HelWin2 and DolWin2. In that perspective Mitsubishi Corporation has 49% of the voting interest and 63% of the economic interest in the German special purpose vehicle TenneT Offshore 8. Beteiligungsgesellschaft mbH. While the commissioning of DolWin2 was originally planned in 2015, the OWF Connection DolWin2 encountered technical difficulties with the sea and land cables. The issue was analysed with the supplier and the connection is fully operational since the beginning of 2017. Mitigation measures and respective financial consequences are currently being evaluated. In February 2014, the Issuer and Copenhagen Infrastructure Partners (“**CIP**”) agreed on a joint investment in the offshore grid connection DolWin3. In that perspective CIP has 49% of the voting interest and respectively 61% and 67% of the economic interest (adjusted for certain regulatory effects) in the German special purpose vehicle TenneT Offshore DolWin3 Beteiligungsgesellschaft GmbH & Co. KG and TenneT Offshore DolWin3 Verwaltungs GmbH.

In May 2015, TenneT exchanged all its shares (70.8%) in APX Holding B.V. for new shares in EPEX. Subsequently, TenneT contributed these EPEX shares to HGRT in exchange for newly issued ordinary shares in HGRT. HGRT holds a 49% interest in EPEX which is the 100% owner of EPEX and APX Holding B.V., together forming the exchange platform for the power spot market in France, Germany, Austria, Switzerland, Netherlands, Belgium and the United Kingdom.

In July 2015, TenneT TSO Germany acquired a 100% stake in the Netz Veltheim GmbH which merged with TenneT TSO Germany retrospectively with effect as of 1 January 2015.

In 2015, partner companies StatnettSF, KfW and TenneT TSO Germany made a final investment decision to establish an interconnector between Norway and Germany under the project name “NordLink” and construction started in 2016. Ownership of the interconnector is equally split between KfW and TenneT Germany owning the Southern part through a jointly owned company and Statnett SF owning the Northern part through a wholly-owned Norwegian company.

In 2016, the Issuer unveiled its vision for building a large European electricity system in the North Sea. Central to the vision is the building of an island in the North Sea to which numerous of wind farms can be connected and from where the generated wind electricity will be distributed and transmitted over the same direct current cables that are serving as interconnections between the North Sea countries. To realise TenneT's long-term vision for the large-scale generation of wind energy in the North Sea, the Issuer created a consortium that includes: TenneT TSO NL, TenneT TSO Germany, Energinet.dk, Gasunie and the Port of

Rotterdam. Its purpose is to accelerate the development of the North Sea Wind Power Hub in the upcoming decades.

Corporate Governance

The Dutch Corporate Governance Code (the “**Corporate Governance Code**”) applies to listed companies. The Issuer, even though not a listed company, decided to comply with the Corporate Governance Code for the sake of transparency. Also, the State, as sole shareholder of the Issuer, set out in the Policy on Government Participations 2013 that it expects the Issuer to comply with the Corporate Governance Code or to explain, where applicable, why the Issuer does not comply with the relevant best-practices thereof.

In light of the above, a large number of the principles of the Corporate Governance Code have been integrated in the corporate governance structure of the Issuer and the Issuer complies with most provisions of the Code. In each annual report, the Issuer explains why certain principles and best-practice provision of the Corporate Governance Code do not apply to the Issuer or why and to what extent the Issuer decided not to adopt the principles and best practice provisions. More information on the Issuer’s corporate governance arrangements can be found on its website: (<http://www.tennet.eu/nl/nl/corporate-governance.html>).

The Issuer is structured as a large company (*structuurvennootschap*) within the meaning of Section 2:264 Dutch Civil Code. The Issuer complies with the “large company regime” (*structuurregime*). The Issuer complies with the obligations regarding the corporate governance structure as provided for in the Electricity Act. The Issuer has a statutory management board (*raad van bestuur*, the “**Management Board**”). In accordance with the large company regime, the Issuer has a supervisory board (*raad van commissarissen*, the “**Supervisory Board**”). For certain decisions the Management Board requires prior approval of the Supervisory Board. Also, for certain decisions, the prior approval of the general meeting of shareholders is necessary. In practice, this means that, the Issuer’s only shareholder, the State, represented by the Ministry of Finance, must approve certain decisions, including, but not limited to, decisions relating to significant investments, a major change in the identity or nature of the Issuer or its enterprises, and the entering into and termination of important joint ventures. In addition, the general meeting of shareholders can, *inter alia*, amend the Issuer’s articles of association and appoint the members of the Management Board and Supervisory Board, subject to the conditions and procedures laid down in the Issuer’s articles of association.

Management Board and Executive Board

The members of the Issuer’s Management Board are as follows:

Name	Position	Positions outside the Issuer
Mr J.M. (Mel) Kroon	Chair Executive Board and Chief Executive Officer	Chair Supervisory Board (<i>Aufsichtsrat</i>) of TenneT TSO GmbH Member Board of TenneT Verwaltungs GmbH Chair Supervisory Board of NOVEC B.V. Chair Supervisory Board of Relined B.V. Member Supervisory Board of Open Tower Company B.V. Member Board of Stichting Beheer Doelgelden Landelijk Hoogspanningsnet Chair of the Board of Directors of Holding des

Name	Position	Positions outside the Issuer
		Gestionnaires de Réseau de transport d'Electricité
		Member Supervisory Board EPEX Spot S.E.
		Member Board of the Dutch-German Chamber of Commerce
		Member Supervisory Board of Coöperatie VGZ
		Member Supervisory Board Koole Terminals Holding B.V.
		Member Supervisory Board of TKH Group N.V.
Mr B.G.M. (Ben) Voorhorst	Chief Operating Officer	Member Board of TenneT TSO B.V.
		Member Board TenneT TSO GmbH
		Member Board of the Dutch association Netbeheer Nederland
		Member Cyber Security Council
		President of ENTSO-E
		Member Cooperation Board TSCNET Service GmbH
		Member Supervisory Board of ETPA Holding B.V.
Mr O. (Otto) Jager	Chief Financial Officer	Member Board of TenneT TSO B.V.
		Member Board TenneT TSO GmbH
		Member of the Supervisory Board of Relined B.V.

The Issuer's executive board (*directie*, the "**Executive Board**"), in charge of the day-to-day management, is formed by the three members of the Management Board (see above), together with:

Name	Position	Positions outside the Issuer
Mr A.A. (Lex) Hartman	Director Corporate Development	Chair Board of BritNed Development Ltd
		Member Board of TenneT TSO B.V.
		Member Board of TenneT TSO GmbH
		Member Board of TenneT Verwaltungs GmbH
		Member Board of FLOW-Far and Large Offshore Wind
		Director of NLink International B.V.
		Member Supervisory Board Novec B.V.

Name	Position	Positions outside the Issuer
Mr W. (Wilfried) Breuer	Director Offshore	Member Board of TenneT TSO B.V. Member Board TenneT Offshore GmbH Member Board TenneT TSO GmbH Member of Cigre German Committee Member of FGH-Verwaltungsrat

The Issuer's registered address serves as the business address for each member of the Management Board and the Executive Board. See "*Description of the Issuer – Introduction*" above.

There are no existing or potential conflicts of interest between the duties of each of the members of the Management Board and the Executive Board and his private interest and/or other duties.

On 5 March 2018, TenneT announced that as of 1 September 2018 Ms M.J.J. (Manon) van Beek will replace Mr J.M. (Mel) Kroon as Chair of the Executive Board and CEO of the Issuer following Mr Kroon's earlier announcement to seek retirement from the Issuer.

Supervisory Board

The members of the Supervisory Board of the Issuer are as follows:

Name	Position	Positions outside the Issuer
Mr P.M. (Pieter) Verboom	Vice chair (interim Chair until 1 June 2018)	Member of the (deputy) Enterprise Division of the Amsterdam Court of Appeal (<i>Ondernemingskamer</i>) Chair Curatorium Master Register Controllers and Advisor Programme "The new CFO" (Erasmus University Rotterdam) Member of the Advisory Board of NIBC's Merchant Banking Chair Supervisory Board Ampelmann Operations B.V.
Ms S. (Stephanie) Hottenhuis	Member	
Mr R.G.M (Rien) Zwitserloot	Member	Member Supervisory Board (<i>Aufsichtsrat</i>) of TenneT TSO GmbH Member Supervisory Board of Royal VOPAK N.V. Member Supervisory Board of Amsterdam Capital Trading Group B.V. Member Supervisory Board of Vroon B.V

Name	Position	Positions outside the Issuer
Ms L.J. (Laetitia) Griffith	Member	Vice-Chair Supervisory Board of KPMG N.V. Member Supervisory Board of Holding Nationale Goede Doelen Loterij N.V. Chair of De Nederlandse Veiligheidsbranche Member Board of Vereniging VNO-NCW Member Board of Nederlands Filmfonds Member of the Supervisory Board of Gassan Diamonds B.V.

The Issuer’s registered address serves as the business address for each member of the Supervisory Board. See “*Description of the Issuer – Introduction*” above.

There are no existing or potential conflicts of interest between the duties of each of the members of the Supervisory Board of the Issuer and his private interest and/or other duties. The Issuer notes that:

- Ms Hottenhuis was a member of the Executive Board of ARCADIS N.V. ARCADIS N.V. is one of TenneT’s suppliers. Ms Hottenhuis has not been involved in any business dealings between ARCADIS N.V. and TenneT. Contract reviews, negotiations and awards between the two companies were conducted at the appropriate business levels and in the ordinary course of business.

The Supervisory Board has installed an Audit, Risk and Compliance Committee (the “**Audit Committee**”). The Supervisory Board has appointed Mr P.M. Verboom (chair) and Ms S. Hottenhuis to form the Audit Committee. The Audit Committee’s tasks include overseeing the (quality of the) Issuer’s financial reporting, its financial reporting policy and procedures, the (quality of the) internal risk management and control systems, and the independent external audit of the financial statements. The duties of the Audit Committee are set out in the Audit Committee regulations, which can be found on the Issuer’s website (www.tennet.eu).

The Supervisory Board has appointed Ms S. Hottenhuis (chair) and Ms L.J. Griffith to form the remuneration and appointments committee (the “**Remuneration Committee**”). The Remuneration Committee is charged with making proposals concerning the remuneration policy to be pursued, the remuneration of individual board members and the preparation of a remuneration report. The Remuneration Committee also defines criteria for the appointment of board members and supervises the procedure for the appointment of new board members. The duties of the Remuneration Committee are set out in the Remuneration Committee regulations which can be found on the Issuer’s official website (www.tennet.eu).

The Supervisory Board has installed a Strategic Investment Committee (the “**SIC**”). The Supervisory Board has appointed Mr R.G.M. Zwitserloot (Chair) and Ms L.J. Griffith to form the SIC. The SIC advises the Supervisory Board regarding strategic investments and prepares decision making of the Supervisory Board. The SIC examines whether investment submissions of the Management Board fit into the economic, financial and technical goals of TenneT. The duties of the SIC are set out in the SIC regulations which can be found on the Issuer’s official website (www.tennet.eu).

As of 1 June 2018, Mr A. (Ab) van der Touw will become Chair of the Supervisory Board, following the retirement of Mr A.W. (Aad) Veenman as Chair of the Supervisory Board on 22 February 2018. From 23 February 2018 until 31 May 2018, Mr Verboom will act as interim Chair of the Supervisory Board.

Business

The Group performs regulated activities in the Netherlands and Germany and unregulated activities in a number of North-western European countries.

A map of the 110/150 kV and 220/380 kV grids managed by TenneT TSO NL and the 220/380 kV grids managed by TenneT TSO Germany is reproduced in the following figure.

Dutch regulated activities

Within the Group, TenneT TSO NL and its subsidiaries carry out the activities that are regulated under the Electricity Act. According to the Electricity Act, the activities of the other subsidiaries and participations of the Issuer, which perform the unregulated activities within the Group, may not conflict with the regulated activities.

The activities of TenneT TSO NL's subsidiaries are discussed in "*Description of the Issuer – Business – Subsidiary overview – Dutch regulated activities*" below. The principal activities of TenneT TSO NL are:

- (I) to provide onshore and offshore grid connections to the National HV Grid;
- (II) to provide onshore and offshore transmission services;
- (III) to provide onshore and offshore system services;
- (IV) to manage the cross-border interconnections and
- (V) to provide connection to and take-off energy produced by OWFs.

Grid connection

TenneT TSO NL must provide physical connection to the National HV Grid to final customers, to distribution grids and lines as well as conventional and renewable energy generation facilities at technical and economic conditions that are reasonable, non-discriminatory, and transparent. TenneT TSO NL must also grant third-party access to its grid on an economically reasonable, non-discriminatory and transparent basis. Grid connection is granted in accordance with binding conditions and tariffs adopted by the ACM pursuant to EC Regulation no. 714/2009 and the Electricity Act (regulated third party access).

Transmission services

Under the Dutch regulatory framework, TenneT TSO NL must operate a safe, reliable and efficient transmission over the National HV Grid on a non-discriminatory basis. TenneT TSO NL is responsible for repairing, replacing parts of and expanding its networks and ensuring appropriate transmission capacity and reliability of the grid system at all times.

System services

The principal system service is the continuous balancing of demand and supply through the deployment of automatic response power and reserve capacity services for onshore and offshore networks, including market facilitation. In order to continuously balance demand and supply of electricity, TenneT TSO NL primarily relies on the use of different types of control energy. TenneT TSO NL procures energy to compensate for grid losses resulting from the transmission of electricity through its transmission grid system.

Management of cross-border interconnections

TenneT TSO NL is exclusively charged with the management of cross-border interconnections with alternating current. The management includes applying non-discriminatory and transparent transfer capacity allocation mechanisms as prescribed by the EC Electricity Regulations (EC Regulations no. 96/92, 2003/54 and 2009/72), the Electricity Act and implementing regulations. These mechanisms include the auctions performed by Joint Allocation Office S.A. ("**JAO**"). JAO is a joint service company of twenty Transmission System Operators in seventeen countries. JAO's principle activity is facilitating the yearly, monthly and daily auctions of transmission rights between 27 countries in Europe and acting as a fall-back for the coupling of the electricity markets in Europe. Furthermore, TenneT TSO NL operates the so-called NorNed Cable, an interconnector with direct current between Norway and the Netherlands. Also, TenneT TSO NL currently – together with the Danish TSO Energinet.dk – constructs a 700 MW HVDC interconnector between the

Netherlands and Denmark (the “**COBRACable**”). Landing points for the approximately 350 kilometres long subsea cable will be in Endrup (Denmark) and Eemshaven (Netherlands). Provided that all licenses will be awarded in time and suppliers have the necessary production capacity to construct this interconnector, the COBRACable is scheduled to be in operation in 2019. Each of the two TSOs has a 50 per cent. stake in the COBRACable project.

Connection to and take-off of energy produced by OWFs

TenneT TSO must construct platforms to connect offshore wind farms, in accordance with a development framework determined by the Ministry of Economic Affairs. A failure to comply with the obligation to timely construct and operate OWF connections might result in claims for damages by the respective operators of OWFs. However, the Electricity Act reduces such liability risks significantly. Any liability of TenneT TSO NL as offshore system operator to electricity producers can be recouped through future tariffs, including any liability for simple negligence, and liability for gross negligence exceeding EUR 10 million a year. In principle, TenneT TSO NL must bear the costs relating to the construction of the grid connection. However, the costs resulting from such investments will be recouped through subsidies from the State or, if the investments cannot be recouped from the subsidy, through the onshore tariffs.

German regulated activities

The principal regulated activities of TenneT TSO Germany as one of the four TSO's in Germany are:

- (a) to provide onshore and offshore grid connections;
- (b) to provide onshore and offshore transmission services;
- (c) to provide onshore and offshore system services;
- (d) to manage the cross-border interconnections;
- (e) to provide preferential grid connection to and take off electricity produced from renewable energy sources or cogeneration plants; and
- (f) to provide connection to and take-off energy produced by OWFs.

Grid connection

Operators of high voltage electricity grids in Germany are obligated to provide physical connection to their grid to final customers, to same level or downstream electricity supply grids, lines as well as conventional and renewable energy generation facilities at technical and economic conditions that are reasonable, non-discriminatory, and transparent. In this respect, renewable energy facilities may have to be given priority in the event of congestion. In addition and in accordance with regulated third-party rules, TenneT TSO Germany must also grant third-party access to their grid on an economically reasonable, non-discriminatory and transparent basis.

Transmission services

Under the German regulatory framework, TenneT TSO Germany is obliged to operate a safe, reliable and efficient transmission grid on a non-discriminatory basis. TenneT TSO Germany is required to maintain, develop and optimise its grid meeting these demands (*bedarfsgerechter Ausbau*) to the extent this is economically reasonable. In particular, the transmission grid system operators need to contribute to supply security through ensuring appropriate transmission capacity and reliability of the grid system.

System services

In order to continuously balance demand and supply of electricity, TenneT TSO Germany primarily relies on the use of different types of control energy (primary, secondary and tertiary control energy) and redispatch

measures. The procurement of control energy by way of tenders is regulated by BNetzA. Insofar, BNetzA has obligated the four German electricity TSOs to establish a single control area comprising all four transmission grid systems. This control area is designed to allow for imbalances of each transmission system to be compensated and balanced between the domestic transmission grid systems. The procurement of secondary control energy by way of tenders must be conducted through procedure joint process involving the entire control area. In addition, TenneT TSO Germany procures energy to compensate for grid losses resulting from the transmission of electricity through its transmission grid system.

Management of cross-border interconnections

TenneT TSO Germany operates a number of cross-border interconnections to the Netherlands as well as Denmark, Sweden, Austria and the Czech Republic. Their management involves non-discriminatory and transparent transfer capacity allocation mechanisms under the EnWG and pertinent European legislation. To this end and similar to TenneT TSO NL, TenneT TSO Germany holds a (minority) participation in JAO S.A. for the area of Central West Europe (providing for auctions on a monthly and yearly basis) and also holds a (minority) participation in the “European Market Coupling Company” for the area of Northern Europe (providing for market coupling).

Preferential grid connection to and take-off of electricity produced from renewable energy sources or cogeneration plants

With regard to electricity generated from renewable energy sources, grid operators are under the statutory obligation to immediately optimise, strengthen and expand their grid upon request and as far as economically reasonable to ensure the purchase, transmission and distribution of electricity generated by renewable energies. In addition, grid operators are regulated to provide preferential treatment to electricity produced by renewable energy sources or cogeneration plants over fossil-fuel electricity generation.

Connection to and take-off of energy produced by OWFs

In addition, TenneT TSO Germany is obliged to connect OWFs to its transmission grid. To fulfil this obligation transpower offshore GmbH was founded (renamed in TenneT Offshore GmbH). TenneT Offshore GmbH or its subsidiaries have carved out, OWF Connections into special purpose vehicles in order to sell equity interests in these entities. A failure to comply with the obligation to timely construct and operate OWF Connections might result in claims for damages by the respective operators of OWFs. However, the amended legal framework effective as of 28 December 2012 reduces such liability risks significantly (for details see above under “*Risk factors – Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme – German regulatory framework – Connection of offshore wind farms*”). In principle, TenneT TSO Germany must bear the costs relating to the construction of the grid connection. However, the costs resulting from such investments will be recouped through tariff income to the extent these costs are approved by BNetzA under investment measures. In addition, a horizontal cost balancing scheme between the four German TSOs applies. This scheme has been amended in order to include the aforementioned separate project entities (in which TenneT Offshore GmbH or its subsidiaries hold the controlling interest), which function as a single-line TSOs (so-called “TSO light”).

Unregulated activities

The unregulated activities of the Group are performed by subsidiaries (excluding TenneT TSO NL, TenneT TSO Germany and their subsidiaries) directly owned by the Issuer and their subsidiaries and participations. The aim of these activities is to support the energy and telecommunication sectors and to ensure their efficient operation. The Issuer employs unambiguous criteria for the selection of new activities. Only activities that support the improvement of the transparency and efficiency of the Dutch energy or telecommunication market, or that support the sustainability and supply of energy are pursued. Furthermore, according to the

Electricity Act these activities must not put the statutory tasks of TenneT TSO NL at risk or conflict with the quality and independence of TenneT TSO NL.

The principal unregulated activities of the Group are:

- (I) to facilitate spot, short-term and long-term trading in electricity (see the description of HGRT and ETPA Holding B.V. in “*Description of the Issuer – Business – Subsidiary overview – unregulated activities*”);
- (II) to manage and operate a commercially operated interconnector between the Netherlands and the United Kingdom (see the description of NLink International B.V. in “*Description of the Issuer – Business – Subsidiary overview – unregulated activities*”); and
- (III) to facilitate distribution of radio and TV signals via the air and for telecom purposes (see the descriptions of NOVEC B.V. and Relined B.V. in “*Description of the Issuer – Business – Subsidiary Overview – unregulated activities*”).

Strategy

As the TSO for the Netherlands and a large part of Germany, as well as the first cross-border TSO for Europe, the Issuer plays a pivotal role in a sector that affects society at many levels. The Issuer’s mission as a leading TSO is to create stakeholder value by providing security of electricity supply in the markets the Issuer serves and by pursuing the development of an integrated and sustainable NWE electricity market.

Following this mission, the Issuer’s overarching goal is to deliver value for its stakeholders. The Issuer aims to do this by pursuing the following strategic goals:

- securing a reliable supply of electricity and facilitating the integration of sustainable energy;
- leading the development of an integrated and sustainable NWE electricity market;
- engaging with our stakeholders – our employees, our shareholder, regulators, policymakers, customers, suppliers, media, non-governmental organisations and local communities; and
- innovating and adapting our business for the future.

The Issuer has selected seven strategic priorities to realise the strategic goals. They rank in no specific order of importance.

- *Enhance the flexibility and resilience of our transmission grid to ensure security of supply*

To manage the rapid rise of renewable energy sources, improve the ability to balance power, ensure continuous voltage control and relieve grid congestion, the Issuer applies market-based solutions that improve supply and demand flexibility. The Issuer will also use software and possibly hardware solutions, such as developing storage technology.

- *Advance the use of data and analytics*

To gain insight into the renewables load feeding into the grid and improve forecasting to ensure security of supply, the Issuer is collecting and enriching electricity and electricity-related data, which will also help the Issuer to drive market integration.

- *Drive integration of the NWE electricity market*

The Issuer works closely with other TSOs on various topics, including market design, market coupling and regional security centres, to drive further integration of the NWE electricity market.

- *Anticipate and address what society wants and needs through dialogue and innovation*

The Issuer actively engages with society and responds to society's needs and concerns with innovative developments such as transmitting electricity underground, dynamic line rating and high temperature super conductors.

- *Maintain access to capital markets and equity capital*

The size of the Issuer's investment programme requires ongoing financing and, given the regulatory uncertainties, also required flexible access to equity.

- *Pursue operational excellence*

The Issuer maximises capital expenditure and operational expenditure efficiency through smart investment solutions and keeping operating costs low.

- *Pursue organisational excellence*

The Issuer does this through creating a performance culture, organisational flexibility and best-in-class safety performance.

Subsidiary overview – Dutch regulated activities

TenneT TSO NL

TenneT TSO NL is the Dutch national electricity transmission system operator for both the onshore and offshore grid. TenneT TSO NL's tasks include maintaining the security of supply and promoting the production of electricity from sustainable sources. In addition, TenneT TSO NL is responsible for market integration, ensuring stable prices and energy flows. The activities of TenneT TSO NL are described in more detail under the heading "*Dutch regulated activities*" above.

Since the State is the sole shareholder of the Issuer, and TenneT TSO NL is wholly-owned by the Issuer, TenneT TSO NL is indirectly wholly-owned by the State. The Electricity Act provides that 100% of the shares of the grid administrator of the national electricity grid of the Netherlands must be directly or indirectly owned by the State of the Netherlands. A change of the Electricity Act would be necessary, and therefore a parliamentary vote required, for a transfer, directly or indirectly, of the shares in TenneT TSO NL, as long as TenneT TSO NL is administrator of the National HV Grid.

TenneT TSO NL has the following subsidiaries:

Nadine Netwerk B.V.

Nadine Netwerk B.V. was incorporated in 2008. Nadine Netwerk B.V. owns the 110/150 kV and 220/380 kV grids acquired from Liander N.V. Being part of the National HV Grid, these grids are managed by TenneT TSO NL. Through its 100% shareholding in Nadine Netwerk B.V., TenneT TSO NL has full control over the assets owned by Nadine Netwerk B.V. The 150 kV grid, subject to a cross border lease, was not acquired by Nadine Netwerk B.V. from Liander N.V. TenneT TSO NL has concluded a sub management agreement with Liander N.V. with respect to this grid.

B.V. Transportnet Zuid-Holland ("TZH")

TZH was incorporated in 1999. The shares in the capital of TZH were acquired by TenneT, Transmission System Operator B.V. in 2003 and were transferred to TenneT TSO NL as part of the de-merger in December 2005 (see "*Description of the Issuer – History*" above). TZH owns the 150 kV grid and part of the 380 kV grid in the province of Zuid-Holland. Being part of the National HV Grid, these grids are managed by TenneT TSO NL. Through its 100% shareholding in TZH, TenneT TSO NL has full control over the assets owned by

TZH. As of 1 January 2015, TZH also owns the Dordrecht and Rotterdam 150 kV grid formerly owned and managed by Stedin B.V.

Reddyn B.V.

Reddyn B.V. was incorporated by TenneT TSO NL and Liander N.V. in 2011, which both hold a 50% interest in the company. Reddyn B.V. is a joint service provider that works for TenneT TSO NL and Liander N.V. exclusively. It provides the construction, management, maintenance and fault-clearing service for high-voltage and (complex) mid-voltage assets of the present and former (110/150 kV) Liander grids.

TeslaN B.V.

TeslaN B.V. was incorporated by TenneT TSO NL and Delta Netwerkbedrijf B.V. in 2015, which both hold a 50% interest in the company. TeslaN B.V. is a joint service provider that works for TenneT TSO NL and Delta Netwerkbedrijf B.V. exclusively. It provides the maintenance and fault-clearing service for high-voltage and (complex) mid-voltage assets of the present and former (150 kV) Delta grid.

TensZ B.V.

Tensz B.V. was incorporated by TenneT TSO NL and Stedin Netbeheer B.V. in 2015, which both hold a 50% interest in the company. TensZ B.V. is a joint service provider that works for TenneT TSO NL and Stedin Netbeheer B.V. exclusively. It provides the maintenance and fault-clearing service for high-voltage and (complex) mid-voltage assets of the present and former (150 kV) Stedin grid.

CertiQ B.V.

CertiQ B.V. (formerly named Groencertificatenregister B.V.) was incorporated by TenneT, Transmission System Operator B.V. in 2001. The shares in the capital of CertiQ B.V. were transferred to TenneT TSO NL as part of the de-merger in December 2005 (see “*Description of the Issuer – History*” above).

CertiQ B.V. issues guarantees of origin as proof that volumes of electricity exported to the grid have been generated in a sustainable way or by means of high efficiency combined heat and power (“**CHP**”) plants. The guarantees of origin take the form of electric registrations in an electronic account in the name of the relevant account holder. Guarantees of origin are tradable. Their validity expires one year after their first registration. Investments in sustainable energy capacity (or high efficient CHP plants) qualify for feed-in subsidies from the Dutch government under the Promotion of Sustainable Energy Production (*Stimuleren Duurzame Energieproductie*, “**SDE**”) grant scheme provided the sustainable quality of production is evidenced by guarantees of origin. As of 1 January 2015, pursuant to the Electricity Act and the Dutch Heating Supply Act (*Warmtewet*), the Minister of Economic Affairs has been charged with the issuance of guarantees of origin and has the authority to delegate its powers to a non-subordinated party. As of 2 January 2015, the National HV Grid manager (*i.e.* TenneT TSO NL), in its capacity as managing director of CertiQ B.V., has been delegated the respective power.

Saranne B.V.

Saranne B.V. was incorporated in 2001 upon the consummation of the de-merger of Sep (see “*Description of the Issuer – History*” above). Saranne B.V. is legal owner of the 220/380 kV grid formerly owned by Sep. TenneT TSO NL is the beneficial owner of these grids (see “*Description of the Issuer – History*” above) and, through its 100% shareholding in Saranne B.V. (see “*Description of the Issuer – Capitalisation and Group Structure*” and “*– History*” above), indirectly has full legal ownership.

In addition to these subsidiaries, TenneT TSO NL holds the following non-controlling interests:

- JAO S.A.: 5% (see also “*Description of the Issuer – Business – Dutch Regulated business*” above).

- Energie Data Services Nederland (EDSN) B.V.: 12.5% plus one share. The remaining shares are held by N.V. Nederlandse Gasunie (12.5% plus one share), Liander 17% and by other regional gas and electricity grid administrators.
- TSCNET Services GmbH: 7.7%. The remaining shares are held by 50Hertz Transmission GmbH, Amprion GmbH, Austrian Power Grid AG, ČEPS a.s., ELES Electro-Slovenija d.o.o., Croatian Transmission System Operator Ltd., Swissgrid AG, TenneT TSO Germany, TransnetBW GmbH, Energinet.DK, PSE S.A. and MAVIR ZRt.

Stichting Beheer Doelgelden Landelijk Hoogspanningsnet

Stichting Beheer Doelgelden Landelijk Hoogspanningsnet (“**Stichting Beheer Doelgelden**”) is a foundation established under Dutch law for the management of the “allocated funds” received from TenneT TSO NL in its capacity as administrator of the National HV Grid. These allocated funds comprise proceeds of imbalance settlements (see the description of the “system services” of TenneT TSO NL in “*Description of the Issuer – Business – Dutch Regulated business*” above) and proceeds that TenneT TSO NL receives from market-based allocation of cross-border electricity transfer capacity (including proceeds from explicit or implicit auctions of interconnector capacity). TenneT TSO NL is not allowed to use the allocated funds for other objectives than set forth in Regulation 1228/2003/EC and the Electricity Act. According to the relevant “*bevoegdhedenovereenkomst*” with the ACM funds of Stichting Beheer Doelgelden will be used for tariff reductions.

In 2010, Stichting Beheer Doelgelden participated in the acquisition of transpower stromübertragungs GmbH. The Stichting Beheer Doelgelden contributed EUR 375,000,000 and obtained 2,000 Class B shares in TenneT TSO Duitsland B.V. in return.

Subsidiary Overview – German regulated activities

The following (indirect) subsidiaries of the Issuer perform regulated activities in Germany:

TenneT TSO Germany

The activities of TenneT TSO Germany are described above under “*German regulated activities*” and in this section under the header TenneT Offshore GmbH.

DC Nordseekabel GmbH & Co KG

The Issuer currently constructs – together with the Norwegian TSO Statnett SF and the German KfW – a 1,400 MW HVDC interconnector between Germany and Norway (“**NordLink**”). Landing points for the approximately 623 kilometres long interconnector will be in Tonstad in Vest-Agder (Norway) and Wilster in Schleswig-Holstein (Germany). The final investment decision between the three project partners Statnett SF, KfW and TenneT TSO Germany was made in 2015 and construction started in 2016. Provided that all licenses are awarded in time and suppliers have the necessary production capacity to construct this interconnector, NordLink will be in operation before the end of 2020. On the German side, the Issuer and KfW will (indirectly) jointly own (the southern) 50% of the project through their joint venture company DC Nordseekabel GmbH & Co KG, which was incorporated in April 2013. Statnett SF owns (the northern) 50% of the project. The southern part of NordLink owned by DC Nordseekabel GmbH & Co KG is solely operated by TenneT TSO Germany and, furthermore, the southern part belongs to TenneT TSO Germany’s regulated asset base.

In addition to these subsidiaries, TenneT TSO Germany holds the following non-controlling interests:

- JAO S.A.: 5% (see also “*Description of the Issuer – Business – Dutch Regulated business*” above).

- TSCNET Services GmbH: 7.7%. The remaining shares are held by 50Hertz Transmission GmbH, Amprion GmbH, Austrian Power Grid AG, ČEPS a.s., ELES Electro-Slovenija d.o.o., Croatian Transmission System Operator Ltd., Swissgrid AG, TenneT TSO NL, TransnetBW GmbH, Energinet.DK, PSE S.A. and MAVIR ZRt.

TenneT Offshore GmbH

TenneT Offshore GmbH directly or via subsidiaries operates and manages (including the planning and construction of) OWF Connections.

TenneT Offshore GmbH has sold equity interests in subsidiaries to setup partnerships for OWF Connections. In this respect, reference is made to the Copenhagen Infrastructure Partners and Mitsubishi Corporation partnerships as described in “*Description of the Issuer – History and development of the Issuer – History of the Issuer*” above.

Subsidiary overview – unregulated activities

No German subsidiary of TenneT is engaged in unregulated business activities. However, some German group companies merely function as a holding company without operative business as such.

HGRT

HGRT holds a 49% interest in EPEX which is the 100% owner of APX Holding B.V., EPEX and APX Holding B.V. together form the exchange platform for the power spot market in France, Germany, Austria, Switzerland, Netherlands, Belgium and the United Kingdom. TenneT Holding B.V. has a 34% interest in HGRT.

NOVEC B.V.

The Issuer is the sole shareholder of NOVEC B.V. NOVEC B.V. rents out and manages antenna sites (in high voltage pylons and ground based towers) for mobile telecom purposes and distributing radio and TV signals via the air. NOVEC B.V. has an interest of 25% in Open Tower Company B.V., with Stichting Depository APG Infrastructure Pool 2016 participating for the remaining 75%. Open Tower Company B.V. has an interest of (i) 100% in Colonne B.V., which owns a number of masts acquired in 2009, (ii) 100% in Mobile Radio Networks Vehicle B.V., which owns a number of masts acquired in 2010 and 2011 from KPN, the Dutch telecom operator, and (iii) 100% in OTC II B.V., which develops new telecom masts to be rented out to the Dutch operators. In the Netherlands, NOVEC B.V. has (i) a 100% interest in Omroepmasten B.V., which owns (regulated) broadcasting masts, (ii) a 100% interest in Duvkot Rentmeester B.V., which offers clients estate administration and consultancy services and (iii) a 100% interest in WL Winet B.V., which offers services with respect to telecom and data networks. In Germany, NOVEC B.V. has (i) a 100% interest in WL Winet GmbH, which also offers services with respect to telecom and data networks, and (ii) a 100% interest in NOVEC GmbH, which rents out and manages antenna sites for mobile telecom purposes.

NLink International B.V.

The Issuer is the sole shareholder of NLink International B.V. NLink International B.V. was established to develop and build international submarine cables. BritNed Development Ltd is a 50/50 joint venture of NLink International B.V. and National Grid International. BritNed Development Ltd has its registered office in London and was set up to develop, build and operate an interconnector between the Netherlands and the UK. BritNed Development Ltd is considered a non-regulated activity by the ACM due to the fact that it was classified as such by its UK counterparty, Ofgem.

The third Electricity EU Directive (2009/72/EC) requires that an operator is certified by the national regulatory authority, not only before it is approved and designated as transmission system operator, but also before it is approved and designated as an operator for interconnectors. BritNed Development Ltd has been

certified by both the Ofgem and the ACM. BritNed Development has consequently been designated by the Minister of Economic Affairs as interconnector operator.

Relined B.V.

The Issuer is the sole shareholder of Relined B.V., which operates the fibre-optic infrastructure of the (extra) high voltage grid of TenneT TSO NL, the Dutch railway network and excess capacity of other fibre networks. Relined B.V. has a 100% interest in Relined GmbH, which rents out dark fibre in Germany.

ETPA Holding B.V.

The Issuer has a 50.002% interest in ETPA Holding B.V., an energy trading platform for the private sector which aims to be easily accessible for smaller parties as well.

Venture capital funds - SET Ventures Fund II and The Westly Group III

The Issuer has a 8.2% limited partnership share in SET Ventures Fund II, a venture capital fund targeting the Energy Sector. SET Ventures Fund II invests in European early growth-stage companies that can impact the future of the energy markets worldwide. Further, the Issuer has an approximately 5% limited partnership share in The Westly Group Fund III, a venture capital fund with focus on investing in innovative companies in the energy, transportation and smart building sectors.

Other Subsidiaries

TenneT TSO Duitsland B.V., TenneT Orange B.V., TenneT Green B.V., TenneT Duitsland Coöperatief U.A., TransTenneT B.V., TenneT Verwaltungs GmbH and TenneT GmbH & Co. KG are (intermediate) holding companies which do not engage in any operating activities themselves.

Legal and arbitration proceedings

TenneT TSO NL

Several legal and regulatory proceedings, including TenneT TSO NL's appeals against the ACM's method decisions, are described in "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme – Impact of Dutch and German regulatory frameworks on the Issuer's business financial conditions and net income*" above under the headings "*Tariff regulation for the current regulatory period (2017-2021)*" and "*Regulatory decisions and proceedings*". TenneT determines on the basis of applicable accounting principles whether or not it needs to form a provision for threatened or pending proceedings. With respect to total amounts of provisions taken by TenneT in relation to legal, regulatory and arbitration proceedings, see note 5.7.3 of TenneT's financial statements included in TenneT Integrated Annual Report 2017 (see "*Documents Incorporated by Reference*").

TenneT TSO NL is currently (indirectly) involved in several proceedings against government decisions regarding the compensation of damages resulting from government planning (*planschadebesluiten*). Although the decisions are made by the competent authorities and the damage claims are brought against those authorities, TenneT TSO NL is generally indirectly liable pursuant to contractual arrangements with the authorities. However, TenneT TSO NL expects that it will be able to recoup any such damages through its tariffs.

Furthermore, there are several pending damage claim proceedings under the Public Works (Removal of Impediments in Private Law) Act (*Belemmeringenwet Privaatrecht*) before the Dutch courts. Several parties have claimed damages in connection with a decision by the Minister of Infrastructure and Environment obliging them to tolerate the installation and maintenance of a (extra) high voltage electricity connection on

their property. One of the claims relates to depreciation of property of an industrial park. If damages are awarded, the Issuer expects that the loss could be recouped via the tariffs, although this is ultimately up to the ACM to decide and there may be a time lag between the moment that the Issuer must pay such damages and the moment that the loss can, subsequently, be recouped via the tariffs.

TenneT TSO Germany

TenneT TSO Germany and certain subsidiaries of TenneT TSO Germany are involved in several court and administrative proceedings. Several of these proceedings are described above in more detail under “*Risk Factors – Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme – Impact of Dutch and German regulatory frameworks on the Issuer’s business financial conditions and net income*” above under the headings “*Connection of offshore windfarms*” and “*System Responsibility*”.

Financial policy

The Issuer balances the objectives of generating a return on invested capital at least equal to the regulated return with aiming for a financial profile consistent with a “single-A” category senior unsecured rating. The Issuer has a financial policy aimed at mitigating financial risks.

The principal financial objectives are:

Generate a return on invested capital at least equal to the regulated return

In order to achieve this objective, the Issuer aims to (1) create and maintain a capital structure which enables the Issuer to achieve an optimal cost of capital and (2) provide the shareholder with a reasonable return on its investment in line with the risk profile of the Issuer.

Protect shareholder capital and operating results against financial risk

The Issuer’s policy is to maintain sufficient liquidity to meet its short-term obligations at all times. In addition, it is the Issuer’s policy to maintain solvency levels which enables it to absorb unexpected losses. This requires the availability of sufficient equity capital. In order to limit refinancing risk, the Issuer aims to diversify maturities of financing instruments. If and when appropriate, the Issuer hedges financial risks, such as interest rate risk, through appropriate hedging arrangements.

Obtain and maintain access to financial markets at favourable conditions

The Issuer targets a credit profile in line with a “single-A” category senior unsecured rating profile in order to secure good access to a wide range of financial markets. The Issuer aims to diversify sources of funding.

Funding

At the date of this Prospectus, the Issuer expects aggregate investments in fixed assets, onshore and offshore, across the Group to amount to approximately EUR 28,000,000,000 during the next ten years. The further development of the offshore grid in the Netherlands after 2023 has not been included in the overall investment plan. The level, timing and costs of these investments are subject to many uncertainties, such as, among others, timing and capacity of new electricity generation, the granting of permits by governmental bodies, commodity prices, number and capacity of suppliers and contractors, legislative and regulatory developments and the Group’s ability to arrange for the required funding. To fund these investments the Issuer expects to have all or part of the following funding sources available:

- (i) internally generated cash flows;

- (ii) EUR 2,200,000,000 committed revolving credit facility maturing in July 2021;
- (iii) EUR 2,200,000,000 commercial paper programme;
- (iv) public or private debt issuances under the Issuer's EUR 15,000,000,000 EMTN Programme;
- (v) various uncommitted bank lines totalling EUR 450,000,000 as of 31 December 2017;
- (vi) issue of perpetual capital securities;
- (vii) borrowing debt via other instruments such as "Schuldscheindarlehen", "Namenschuldverschreibung" and/or US Private Placements;
- (viii) equity issuances to third parties at subsidiary level; and
- (ix) capital contributions from its shareholder.

As of 31 December 2017, the Issuer had no financial (ratio) covenants in any of its credit agreements.

TAXATION

This paragraph outlines the principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes. It does not present a comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Notes (a "**Noteholder**"). For Dutch tax purposes, a Noteholder may include an individual, or an entity, that does not hold the legal title of the Notes, but to whom nevertheless the Notes, or their income, are attributed based either on this individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions. These include statutory provisions under which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

This paragraph is intended as general information only. A prospective Noteholder should consult his own tax adviser regarding the tax consequences of any acquisition, holding or disposal of Notes.

This paragraph is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date of the Prospectus, including, for the avoidance of doubt, the tax rates applicable on that date, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Any reference in this paragraph made to Dutch taxes, Dutch tax or Dutch tax law must be construed as a reference to taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities or to the law governing such taxes, respectively. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

Any reference made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the country of the Netherlands (*Belastingregeling voor het land Nederland*), the Tax Regulation the Netherlands Curacao (*Belastingregeling Nederland Curacao*), the Tax Regulation the Netherlands Saint Martin (*Belastingregeling Nederland Sint Maarten*) and the Agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the avoidance of double taxation.

This paragraph does not describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder:

- (i) who is an individual and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- (ii) which has a substantial interest (*aanmerkelijk belang*) or a fictitious substantial interest (*fictief aanmerkelijk belang*) in the Issuer within the meaning of chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally, a substantial interest in the Issuer arises if the Noteholder, alone or – in case of an individual – together with his partner, owns or holds certain rights to shares, including rights to directly or indirectly acquire shares, representing, directly or indirectly, 5% or more of the issued capital of the Issuer or of the issued capital of any class of shares;
- (iii) that is an entity which under the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) (the "**CITA**"), is not subject to Dutch corporate income tax or is in full or in part exempt from Dutch corporate income tax (such as a qualifying pension fund); or
- (iv) that is an investment institution (*beleggingsinstelling*) as described in Section 6a or 28 CITA.

Withholding Tax

Any payments made under the Notes will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

Taxes on Income and Capital Gains

Residents of the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are resident or deemed to be resident in the Netherlands (“**Dutch Individuals**”); and
- (ii) entities or enterprises that are subject to the CITA and are resident or deemed to be resident in the Netherlands (“**Dutch Corporate Entities**”).

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities (*resultaat uit overige werkzaamheden*) are generally subject to income tax at statutory progressive rates with a maximum of 51,95% with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realized on their disposal, that are attributable to:

- (i) an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement (*medegerechtigde*) to the net worth of this enterprise other than as an entrepreneur or a shareholder; or
- (ii) miscellaneous activities, including, without limitation, activities which are beyond the scope of active portfolio investment activities (*meer dan normaal vermogensbeheer*).

Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities

Generally, the Notes held by a Dutch Individual who is not engaged or deemed to be engaged in an enterprise or in miscellaneous activities, will be subject annually to an income tax imposed on a fictitious yield on the Notes. The Notes held by this Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realized, the annual taxable benefit of the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a percentage of the positive balance of the fair market value of these assets, including the Notes, and the fair market value of these liabilities. The percentage increases:

- (i) from 2.02% of this positive balance up to EUR 70,800;
- (ii) to 4.33% of this positive balance of EUR 70,800 up to EUR 978,000; and
- (iii) to a maximum of 5.38% of this positive balance of EUR 978,000 or higher.

No taxation occurs if this positive balance does not exceed a certain threshold (*heffingvrij vermogen*). The fair market value of assets, including the Notes, and liabilities that are taxed under this regime is measured, in general, exclusively on 1 January of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30%.

Dutch Corporate Entities

Dutch Corporate Entities are generally subject to corporate income tax at statutory rates up to 25% with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realized on their disposal.

Non-residents of the Netherlands

The description of certain Dutch tax consequences in this paragraph is only intended for the following Noteholders:

- (i) individuals who are not resident and not deemed to be resident in the Netherlands (“**Non-Dutch Individuals**”); and
- (ii) entities that are not resident and not deemed to be resident in the Netherlands (“**Non-Dutch Corporate Entities**”).

Non-Dutch Individuals

A Non-Dutch Individual will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Individual derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of this enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the Notes are attributable;
- (ii) the Non-Dutch Individual derives benefits from miscellaneous activities carried on in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or
- (iii) the Non-Dutch Individual is entitled to a share in the profits of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Non-Dutch Corporate Entities

A Non-Dutch Corporate Entity will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Corporate Entity derives profits from an enterprise, which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Notes are attributable; or
- (ii) the Non-Dutch Corporate Entity is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Under certain specific circumstances, Dutch taxation rights may be restricted for Non-Dutch Individuals and Non-Dutch Corporate Entities pursuant to treaties for the avoidance of double taxation.

Dutch Gift Tax or Inheritance Tax

No Dutch gift tax or inheritance tax is due in respect of any gift of the Notes by, or inheritance of the Notes on the death of, a Noteholder, unless:

- (i) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;
- (ii) the Noteholder dies within 180 days after the date of the gift of the Notes while being, or being deemed to be, resident in the Netherlands at the time of his death but not at the time of the gift; or
- (iii) the gift of the Notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

Other Taxes and Duties

No other Dutch taxes, including turnover or value added taxes and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by the Issuer or by, or on behalf of, the Noteholder by reason only of the issue, acquisition or transfer of the Notes.

Residency

A Noteholder will not become resident, or deemed resident, in the Netherlands by reason only of holding the Notes.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 3 May 2018 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, 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(s). 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 Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

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. Notes in bearer form having a maturity of more than one year 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. Each of the Dealers has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver a Note in bearer form within the United States or to U.S. persons except as permitted by the Dealer Agreement. The Notes are being offered and sold outside the United States in reliance on Regulations S under the Securities Act, as amended.

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.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Terms used in this paragraph and not otherwise defined herein have the meanings given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- a) the expression "**retail investor**" means a person who is one (or more) of the following:
- i. a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - ii. a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - iii. not a qualified investor as defined in the Prospectus Directive; and
- b) the expression "**offer**" includes 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.

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; 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.

The Netherlands

Each Dealer has represented and agreed that bearer zero coupon Notes in definitive form on which interest does not become due and payable during their term but only at maturity and other Notes that qualify as saving certificates (*spaarbewijzen*) as defined in the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) (the "**SCA**") may only be transferred or accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext with due observance of the provisions of the SCA and its implementing regulations (including identification and registration requirements)(as amended). However, no such mediation is required in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, 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.

Switzerland

This Prospectus does not constitute an "offering prospectus" under article 1156 of the Swiss Code of Obligations. Accordingly the Notes may not be offered to the public in or from Switzerland. This Prospectus and any other marketing material may not be made available to the public in or from Switzerland.

Neither the Issuer nor any Dealer has applied for a listing of the Notes being offered pursuant to this Prospectus on the SIX Swiss Exchange. Consequently, the information presented in this Prospectus does not comply with the information standards set out in the Listing Rules of the SIX Swiss Exchange.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out 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 and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus or any other offering material or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefore.

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:

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Final Terms dated [DATE]

TenneT Holding B.V.

Legal entity identifier (LEI): 724500LTUWK3JQG63903

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the **€15,000,000,000 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 Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 3 May 2018 [and the supplement[s] to it dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. As used herein, the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. 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 the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Issuer's website at www.tennet.eu and is available for viewing during normal business hours at TenneT Holding B.V., Utrechtseweg 310, 6812 AR Arnhem, the Netherlands and copies may be obtained from such address.]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the base prospectus dated [22 January 2010/3 February 2011/11 July 2013/12 May 2015/23 May 2016/10 April 2017] which are incorporated by reference in the Base Prospectus dated 3 May 2018 (the "**Base Prospectus**"). 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 the Base Prospectus [and the supplement[s] to it dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. As used herein, the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended, including by Directive 2010/73/EU), and includes any relevant

implementing measure in a relevant Member State of the European Economic Area. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Issuer's website at www.tennet.eu and is available for viewing during normal business hours at TenneT Holding B.V., Utrechtseweg 310, 6812 AR Arnhem, the Netherlands and copies may be obtained from such address.]

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. [[administrator legal name] [appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the BMR.

[As far as the Issuer is aware, [[insert benchmark(s)] [does/do] not fall within the scope of the BMR by virtue of Article 2 of that regulation] OR [the transitional provisions in Article 51 of the BMR apply], such that [insert names(s) of administrator(s)] [is/are] not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

- 1 Issuer: TenneT Holding B.V.
- 2 (i) Series Number: []
(ii) Tranche Number: []
(iii) Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [insert date]]].]
- (N.B. Notes can only be fungible with Notes issued under this Base Prospectus and with Notes issued under the base prospectus dated 22 January 2010, 3 February 2011, 11 July 2013, 12 May 2015, 23 May 2016 and/or 10 April 2017)*
- 3 Specified Currency or Currencies: []
- 4 Aggregate Nominal Amount: []
(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: []
[Where multiple denominations above EUR 100,000 (or equivalent) are being used the following sample wording should be followed: [EUR 100,000] and integral multiples of [EUR 1,000] in excess thereof [up to and including EUR 199,000]. No Notes in definitive form will be issued with a denomination above [EUR 199,000]].]*
**[Delete if Notes being issued in registered form.]*
Notes (including Notes denominated in Sterling) 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 S 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).
- (ii) Calculation Amount: [] [Not Applicable]
- 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 [specify relevant month and year]]
- 9 Interest Basis: [[] per cent. Fixed Rate]
[[EURIBOR/LIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
(further particulars specified below)

- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount. *(N.B. The Issuer does not intend to issue Notes that constitute derivative securities for the purposes of the Prospectus Directive. If, however, the Final Redemption Amount is less than 100% 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 and the Issuer will prepare and publish a series prospectus).*
- 11 Change of Interest Basis: *[specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identity these]* [Not Applicable]
- 12 Put/Call Options: [Investor Put]
[Change of Control Put]
[Issuer Call]
[Issuer Refinancing Call]
[(further particulars specified below)]
- 13 (i) Status of the Notes: [Senior/Subordinated]
[(ii) [Date [Board] approval for issuance of Notes obtained: [] [and []], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [From (and including) [] up to (but excluding) []] [[] per cent. per annum] [payable [annually/semi-annually/quarterly/monthly/other (specify)]] in arrear] on each Interest Payment Date
- (ii) Interest Payment Date(s): [] in each year, commencing on [], up to and including [the Maturity Date/specify other]
(NB: In the case of long or short coupons the following sample wording should be followed: There will be a [short/long] [first/last] coupon)
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Broken Amount(s): [[] per [Specified Denomination/Calculation Amount], in respect of the [short/long] coupon payable on the Interest Payment Date falling [in/on] [].] [The Broken Amount payable on the Interest Payment Date in respect of the [short/long] coupon shall be an amount equal to the [Specified Denomination/Calculation Amount] multiplied by the Rate of Interest multiplied by the Day Count Fraction with the resultant figure being rounded to the nearest sub-unit of the Specified

	Currency, half of any such sub-unit being rounded [upwards/downwards].] [Not Applicable]
(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / <i>include any other option from the Conditions</i>]
(vi) Determination Dates:	[[] in each year (<i>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)</i>)] [Not Applicable]
15 Floating Rate Note Provisions	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
(i) Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(ii) Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iii) Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iv) First Interest Payment Date:	[]
(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
(vi) Business Centre(s):	[]
(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[]
(ix) Screen Rate Determination:	
– Reference Rate:	[] month [LIBOR/EURIBOR]
– Interest Determination Date(s):	[]
– Relevant Screen Page:	[]
(x) ISDA Determination:	

- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (xi) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xii) Margin(s): [+/-][] per cent. per annum
- (xiii) Minimum Rate of Interest: [] per cent. per annum
- (xiv) Maximum Rate of Interest: [] per cent. per annum
- (xv) Day Count Fraction: []
- 16 Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [] per cent. per annum
- (ii) [Day Count Fraction in relation to Early Redemption Amounts: [30/360 / Actual/Actual (ICMA/ISDA) / *include any other option from the Conditions*]]

PROVISIONS RELATING TO REDEMPTION

- 17 Issuer Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note: [] per Calculation Amount [Make-whole Amount]

[[*If Make-whole Amount is selected, include items (A) to (D) below or relevant options as are set out in the Conditions*]]
- [(A) Reference Bond: [Insert applicable Reference Bond]]
- [(B) Quotation Time: [●]]
- [(C) Redemption Margin: [[●] per cent.]]
- [(D) Determination Date: [●]]
- (iii) If redeemable in part: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Minimum Redemption Amount: [] per Calculation Amount
- (b) Maximum Redemption Amount: [] per Calculation Amount
- (iv) Notice period: [] days
- 18 Issuer Refinancing Call** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this

- paragraph)*
- (i) Notice period: [] days
- 19 **Investor Put Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note: [] per Calculation Amount
- (iii) Notice period: []
- 20 **Change of Control Put Event** [Applicable/Not Applicable]
- 21 **Final Redemption Amount of each Note** [] [Par] per Calculation Amount
- 22 **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: [] [Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 23 Form of Notes:
- Bearer Notes:**
- [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]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [In relation to any issue of Notes which are a "Global Note exchangeable for Definitive Notes" in circumstances other than "in the limited circumstances specified in the Global Note", such Notes may only be issued in denominations equal to, or greater than, EUR 100,000 (or equivalent) and integral multiples thereof]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Not Applicable]
- Registered Notes:**
- Regulation S Global Note (EUR [●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)][Not Applicable]
- 24 New Global Note: [Yes] [No]

- 25 Financial Centre(s): [Not Applicable/give details. Note that this paragraph relates to the date and place of payment, and not the end dates of interest periods for the purpose of calculating the amount of interest, to which sub-paragraphs 15(vi) relates]
- 26 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

THIRD PARTY INFORMATION

[(Relevant third party information) has been extracted from (specify source). [Each of the] [The] Issuer [and the Guarantor(s)] 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 TenneT Holding B.V.:

By:

.....

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Amsterdam *[specify other]* with effect from [].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Amsterdam *[specify other]*] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading: []

2 [RATINGS

Ratings: [[The Notes to be issued [have been rated/are expected to be rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[S & P: []]

[Moody's: []]

[[Other]: []]

[and endorsed by *[insert details]*]

(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.)

Insert one (or more) of the following options, as applicable:

[[*Insert full legal name of credit rating agency/ies*] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]

[[*Insert full legal name of credit rating agency/ies*] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]

[[*Insert credit rating agency/ies*] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under Regulation (EC) No 1060/2009.]

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 statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4 [USE OF PROCEEDS, REASONS FOR THE OFFER

[Use of proceeds, reasons for the offer: []]

(See "Use of Proceeds" wording in Prospectus – if there is a particular identified use of proceeds, this will need to be included here.) [in case proceeds are to be allocated to the Green Project Portfolio with the special purpose to finance, refinance and/or invest in Eligible Green Projects meeting the Eligibility Criteria, insert the below paragraphs. In case proceeds are to be allocated with the special purpose to finance, refinance and/or invest in other sustainable energy projects meeting certain criteria, specify these criteria herein]

*[Net proceeds from the Issue of the Notes will be allocated to a sub portfolio (the "**Green Project Portfolio**") with the special purpose to finance, refinance and/or invest in Eligible Green Projects (as defined below) meeting the Eligibility Criteria (as defined below).*

*"**Eligible Green Projects**" means projects relating to the transmission of renewable electricity from offshore wind power plants into the onshore electricity grid using direct current technology or alternating current technology.*

*"**Eligibility Criteria**" means the criteria prepared by the Issuer. A second party consultant (e.g. oekom research AG) will review the selected Eligible Green Projects and issue a second party opinion based on the Eligibility Criteria. The second party-opinion will be made available on the Issuer's website (www.tennet.eu).*

Pending allocation to Eligible Green Projects of the net proceeds for investment in Eligible Green Projects, the Issuer will hold such net proceeds, at its discretion, in cash or other liquid marketable instruments in its Green Project Portfolio. The balance of the Green Project Portfolio, until such amount is used in full, will be reduced by the amounts invested in Eligible Green Projects meeting the Eligibility Criteria. The Issuer will establish systems to monitor and account for the net proceeds for investment in Eligible Green Projects in order to ensure the allocation of such net proceeds to the Green Project Portfolio for the investments in Eligible Green Projects meeting the Eligibility Criteria.

The Issuer is expected to issue a report on (i) the impact of the Eligible Green Projects on the environment, as well as (ii) whether the net proceeds issued under the green bonds are used to finance Eligible Green Projects. This report will be issued once a year until all Notes which were issued for the purpose of financing, refinancing and or/investing in Eligible Green Projects are repaid in full or until the maturity date of these Notes. The report will be reviewed by a second party consultant or with limited assurance by an independent auditor. In addition, the Issuer is expected to provide regular information through its website (www.tennet.eu) and/or newsletters to investors on the environmental outcomes of the Eligible Green Projects.]

5 [Fixed Rate Notes only – YIELD]

Indication of yield:

[]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

ISIN:

[]

Common Code:

[]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. 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 additional Paying Agent(s) (if any):

[]

[Deemed delivery of clearing system notices for the purposes of Condition 14]:

[Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second][business] day after the day on which it was given to [Euroclear Bank SA/NV and Clearstream Banking, S.A.]

Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation “yes” simply means 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 acting 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.]/

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7 DISTRIBUTION

- | | | |
|-------|-------------------------------------|--|
| (i) | Method of distribution: | [Syndicated/Non-syndicated] |
| (ii) | If syndicated: | [Not Applicable/ <i>give names</i>] |
| | (A) Names of Managers: | |
| | (B) Stabilising Manager(s) (if any) | [Not Applicable/ <i>give names</i>] |
| (iii) | If non-syndicated, name of Dealer | [Not Applicable/ <i>give name</i>] |
| (iv) | U.S. Selling Restrictions: | [Reg. S Compliance Category [1]; TEFRA C/ TEFRA D/ TEFRA not applicable] |

GENERAL INFORMATION

- (1) Application may be made to Euronext for Notes issued under the Programme to be admitted to listing on Euronext Amsterdam. The listing of the Notes on Euronext Amsterdam 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 listing on Euronext Amsterdam 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. Prior to official listing and admission to trading, however, dealings may be permitted by Euronext 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 also be issued pursuant to the Programme.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the Netherlands in connection with the 2018 update of the Programme, which was authorised by resolutions of the Managing Board of the Issuer passed on 21 February 2018.
- (3) The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (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.
- (4) There has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2017.
- (5) Except as disclosed under "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under the Securities – Impact of Dutch and German regulatory frameworks on the Issuer's business financial conditions and net income*" under the headings "*Tariff regulation for the current regulatory period (2017-2021)*", "*Regulatory decisions and proceedings*", "*Connection of offshore windfarms*" and "*System Responsibility*" and under "*Business Description of the Issuer – Legal and arbitration proceedings*" above neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
- (6) Each Bearer Note having a maturity of more than one year, 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) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is

material to the Issuer's ability to meet its 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 any issues of Notes.
- (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 Issuer and in relation to (v) and (vi), also on the Issuer's website:
 - (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
 - (ii) the articles of association (*statuten*) of the Issuer and the English translation thereof;
 - (iii) the annual reports of the Issuer for the years ended 31 December 2016 and 31 December 2017 (containing the audited financial statements of the Issuer, which include the consolidated financial statements), in each case together with the audit reports prepared in connection therewith;
 - (iv) the most recently available published audited consolidated annual financial statements of the Issuer and the most recently available published interim financial statements of the Issuer (if any);
 - (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.
- (12) Ernst & Young Accountants LLP have audited and issued an unqualified independent auditor's report on the consolidated financial statements of the Issuer for each of the two years ended 31 December 2016 and 31 December 2017. The auditors of Ernst & Young Accountants LLP are members of the Koninklijke Nederlandse Beroepsorganisatie van Accountants (*NBA*), which is a member of International Federation of Accountants (*IFAC*). The independent auditor's reports have been included in this Prospectus, through incorporation by reference, with the consent of Ernst & Young Accountants LLP.
- (13) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business.

- (14) Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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