

Prospectus dated 25 November 2013



## Alliander N.V.

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

### €500,000,000 Reset Perpetual Capital Securities

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**Issue Price 99.434 per cent.**

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The €500,000,000 Reset Perpetual Capital Securities (the "**Securities**") will be issued by Alliander N.V. (the "**Issuer**" or "**Alliander**"). Interest is payable subject to and in accordance with the Terms and Conditions of the Securities. From (and including) 27 November 2013 until (but excluding) 27 November 2018 the Securities will bear interest at a rate of 3.250 per cent. per annum, payable annually in arrear on 27 November of each year. Thereafter, unless previously redeemed, the Securities will bear interest at a rate per annum, which shall be the aggregate of the applicable Margin and the 5 year Swap Rate determined two Business Days prior to the beginning of each Reset Period, payable annually in arrear on 27 November of each year, starting on 27 November 2019, all as described in "*Terms and Conditions of the Securities — Coupon Payments*". Payments on the Securities will be made without deduction for or on account of taxes of The Netherlands to the extent described under "*Terms and Conditions of the Securities — Taxation*".

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

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

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

**Application** has been made to The Netherlands Authority for the Financial Markets (the "**AFM**") in its capacity as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) relating to prospectuses for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the "**Prospectus Directive**"). Application has also been made to Euronext Amsterdam N.V. for the Securities to be listed on NYSE Euronext in Amsterdam ("**Euronext Amsterdam**"). References in this Prospectus to the Securities being "listed" (and all related references) shall mean that the Securities have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The Securities will initially be represented by a Temporary Global Security, without interest coupons attached, which will be deposited with a common depository on behalf of the Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on or about 27 November 2013. The Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons attached, on or after a date which is expected to be 6 January 2014, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof in the limited circumstances set out in it. No definitive Securities will be issued with a denomination above €199,000, see "*Summary of Provisions relating to the Securities while in Global Form*".

The Securities have been rated A by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc ("**Standard & Poor's**") and A3 by Moody's Investors Service, Inc. ("**Moody's**"). Each of Standard & Poor's and Moody's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

#### Structuring Advisors

**Barclays**

**Citigroup**

**Morgan Stanley**

#### Joint Lead Managers

**Barclays**

**Citigroup**

**Morgan Stanley**

**Rabobank International**

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

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

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

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

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

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

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

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons. References to "**euro**", "**EUR**" and "**€**" refer to the lawful currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

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

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

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

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## **Risk Factors**

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

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

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

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

### ***Risks related to Cross Border Lease Agreements***

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

At the end of 2012 the maximum ‘strip risk’ (the portion of the ‘termination value’ – the possible compensation payable to the American counterparty in the event of early termination of the transaction – which cannot be settled from the deposits and investments held for this purpose) for all transactions together amounted to USD 326 million (2011: USD 450 million). To cover the equity strip risk (the portion of the strip risk that involves the equity investments by US investors which cannot be settled by the investments held for this purpose), amounting to USD 268 million at the end of 2012 (2011: USD 322 million<sup>1</sup>), the Issuer has provided the investors involved with security in the form of letters of credit for an amount of USD 74 million (2011: USD 103 million) in various transactions. The number and size of the letters of credit to be issued depend partly on the Issuer’s credit rating. The drop in the amount of the maximum strip risk as at year-end 2012 compared with the 2011 position is largely due to interest rate movements.

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

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

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<sup>1</sup> In connection with a change in the definition of the equity strip risk in 2012, whereas a correction on the valuation of a specific investment as part of the strip risk is now included in the equity strip risk valuation, the comparative figures for 2011 have been restated for presentation purposes. The strip risk as such has not changed. The change entails that the valuation of this specific investment as part of the strip risk has been amended to mark-to-market valuation, whereas until 2012, this investment was valued based on Libor. Therefore the comparative figures for 2011 have been restated for presentation purposes.

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

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

The impact of the Dutch regulatory framework in its current form on the income of the Issuer can be illustrated by the fact that in 2012, 92% of the Issuer's consolidated revenues were generated by regulated activities.

The revenues of the Grid Managers are subject to ex ante regulation by the Energy Department of the Dutch Authority for Consumers & Markets ("**ACM/Energie**"). Therefore the regulatory framework has a substantial effect on the dividend income of the Issuer.

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

The level of permitted revenues of the Grid Managers includes a component based on the weighted average costs of capital ("**WACC**"). The variables used to calculate the WACC are the cost of equity, the cost of debt, the relative percentages of debt and equity in the capital structure and the corporate tax rate. The cost of equity represents the expected return on investment for the shareholders. The Issuer is the sole shareholder of the Grid Managers. The cost of debt represents the expected cost of debt for a company with an "A" credit rating. As is the case for almost all other cost factors ACM/Energie bases the WACC on data which precede the regulation period for which the WACC is determined. Thus, the WACC may insufficiently reflect the costs of capital which the Grid Managers will effectively incur during the relevant regulation period, negatively impacting their profitability. For the current tariff regulation period (2011 - 2013), the cost of equity is set at 7.96% and the cost of debt at 5.45%. In addition, the actual capitalisation of the Grid Managers may differ from the 60/40 debt/equity ratio assumed in the Method Decision, which could also negatively impact the profitability of the Grid Managers. Finally, the actual corporate tax rate may deviate from the corporate tax rate assumed in the Method Decision, which could negatively impact the profitability of the Grid Managers. On 2 October 2013 ACM/Energie published its method decision for the next tariff regulation period (2014-2016).<sup>2</sup> As result of this method decision the cost of equity will decrease to 5.6% and the cost of debt will decrease to 3.85% in the next tariff regulation period.

Part or all of the investments made by the Grid Managers (directly or indirectly) may not be deemed to be efficient and consequently not allowed to be included in the Regulatory Asset Base ("**RAB**"). The RAB represents the value of part of the assets of the Grid Managers, based on assets permitted to be included in such assets base by ACM/Energie and calculated using the permitted depreciation methods set by ACM/Energie. The Grid Managers are not compensated for the cost of the capital related to (the part of) the investment not included in the RAB. Practically, this means that the WACC is not applied to (part of) that investment. In addition, not allowing an investment to be included in the RAB means that depreciation of

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<sup>2</sup> [www.acm.nl](http://www.acm.nl)

(part of) that investment is not acknowledged as costs that the Grid Managers are allowed to recover through their tariffs.

### ***Political risk***

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

### ***Commodity price risk***

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

### ***Available labour capacity for strategic staff planning.***

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

Moreover, given the number of externally hired full-time employees (FTEs) in the past years – mainly in connection with the implementation of projects – there is the risk of the Issuer becoming too dependent on external hiring of technical and engineering staff. Even though the Issuer has entered into alliances with various educational institutions to educate its staff about various internal requirements, this gives rise to the specific risk that the knowledge that these hired employees have acquired in essential and specific areas of expertise is lost upon their departure.

## **Risks related to the Securities generally**

### ***The Securities may not be a suitable investment for all investors***

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

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

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

***There is no active trading market for the Securities***

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

***Legal investment considerations may restrict certain investments***

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

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

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

***The Securities could be redeemed at any time upon a Withholding Tax Event, A Tax Deduction Event, an Accounting Event or a Rating Event or following the exercise by the Issuer of the Clean-up Call, and on any Optional Redemption Date***

The Securities may be redeemed, in whole but not in part, at the option of the Issuer at any time upon the giving of notice at (a) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the First Reset Date or (b) at their principal amount, if such redemption occurs after (or on) the First Reset Date (together with accrued but unpaid interest and all Arrears of Interest and Additional Amounts, if any) in the event that (1) the Issuer would be obliged to increase the amounts payable in respect of any payment due on the Securities due to any withholding or deduction for or on account of any present or future taxes by or on behalf of The Netherlands (a Withholding Tax Event), or (2) the payment of interest under Securities were but are or will no longer be tax deductible by the Issuer for the purposes of Dutch corporate income tax purposes (a Tax Deduction Event), or (3) the Issuer has received an opinion from a recognised independent auditor that the Securities will no longer or may no longer be classified as "equity" in the consolidated accounts of the Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union (an Accounting Event), or (4) following the exercise by the Issuer of the Clean-up Call.

The Securities may also be redeemed, in whole but not in part, at the option of the Issuer at any time upon the giving of notice at (a) 101 per cent. of their principal amount, if such redemption occurs before (but



excluding) the First Reset Date or (b) at their principal amount, if such redemption occurs after (or on) the First Reset Date (together with, in each case, accrued but unpaid interest and all Arrears of Interest and Additional Amounts, if any) in the event that (i) any Rating Agency, which has assigned a sponsored rating to the Issuer, publishes a change in hybrid capital methodology or the interpretation hereof, or applies a different hybrid capital methodology or set of criteria after the Issue Date (due to changes in the rating previously assigned to the Issuer or for any other reasons), as a result of which the Securities would no longer be eligible for the same or a higher category of “**equity credit**” or such similar nomenclature as may be used by that Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of the Issuer’s senior obligations, attributed to the Securities at the Issue Date (a “**Rating Event**”), or (ii) the Issuer has received confirmation from any Rating Agency, which has assigned a sponsored rating to the Issuer, that due to a change in hybrid capital methodology or the interpretation thereof, a Rating Event has occurred.

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

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

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

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

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

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

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

#### ***The Securities will be unsecured and subordinated***

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

The Securities will be deeply subordinated obligations and the most junior instrument in the capital of the Issuer, other than ordinary shares and preference shares, if any. The Issuer may be able to incur significant

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

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

#### ***No limitation on issuing senior or pari passu securities***

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

#### ***Restricted remedy for non-payment when due***

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

#### ***Modification and waiver***

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

may be adversely affected by market perception of and price movements in the terms of the modified or substitution securities.

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

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

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

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

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

***The Securities have a minimum denomination of €100,000***

As the Securities have a denomination consisting of the minimum denomination plus a higher integral multiple of another smaller amount, it is possible that the Securities may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such case a Holder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination may not receive a Definitive Security in respect of such holding (should Definitive Securities be printed) and would need to purchase a principal amount of Securities such that its holding amounts to the minimum denomination.

### ***Credit rating***

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

In addition, if the Issuer has received confirmation (a Rating Event) from one or more rating agencies which has assigned a sponsored rating to the Issuer that the Securities will no longer be eligible for the same or higher category of equity credit (as defined by such rating agency) as attributed to the Securities at the Issue

Date, the Issuer may in its discretion redeem the Securities or it may, without the consent of the Holders, modify the Conditions in order that such Rating Event ceases to exist.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions of the Securities) nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### ***Foreign Account Tax Compliance Act Withholding***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Securities are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Securities are discharged once the Paying Agent has paid the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

## Overview

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

<b>Issuer:</b>	Alliander N.V.
<b>The Securities:</b>	€500,000,000 Reset Perpetual Capital Securities
<b>Principal Paying Agent and Calculation Agent:</b>	Citibank, N.A., London Branch
<b>Paying Agent:</b>	Citibank International PLC
<b>Issue Price:</b>	99.434 per cent.
<b>Form of Securities, Initial Delivery of Securities and Clearing Systems:</b>	The Securities will initially be represented by a Temporary Global Security, without interest coupons, which will be deposited with a common depositary on behalf of the Clearstream Banking société anonyme (“ <b>Clearstream Luxembourg</b> ”) and Euroclear Bank SA/NV (“ <b>Euroclear</b> ”) systems on or about 27 November 2013. The Temporary Global Security will be exchangeable for interests in a Permanent Global Security, without interest coupons, on or after a date which is expected to be 6 January 2014, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security will be exchangeable for definitive Securities in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof in the limited circumstances set out in it. No definitive Securities will be issued with a denomination above €199,000. Also see <i>"Summary of Provisions relating to the Securities while in Global Form"</i> .
<b>No fixed maturity:</b>	The Securities are perpetual securities in respect of which there is no fixed redemption date.
<b>Denominations:</b>	€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. Also see <i>"Form of Securities, Initial Delivery of Securities and Clearing Systems"</i> above.
<b>Status of the Securities:</b>	The Securities will constitute subordinated obligations of the Issuer as described in <i>"Terms and Conditions of the Securities — Status and Subordination"</i> . Also see <i>"Terms and Conditions of the Securities — Winding-up"</i> .
<b>Interest:</b>	From (and including) 27 November 2013 until (but excluding) 27 November 2018, the Securities will bear interest at a rate of 3.250 per cent. per annum, payable annually in arrear on 27

November of each year, starting on 27 November 2014.

Thereafter, unless previously redeemed, the Securities, from (and including) 27 November 2018 to (but excluding) the date on which they are redeemed will bear interest at a rate per annum which shall be the aggregate of the applicable Margin (which will include, after the First Step-up Date, a 0.25 % step-up over the initial credit spread and, after the Second Step-up Date, a further 0.75 % step up) and the 5 year Swap Rate determined two Business Days prior to the beginning of each Reset Period (as defined in the Terms and Conditions of the Securities), payable annually in arrear on 27 November of each year. See also "*Terms and Conditions of the Securities – Coupon Payments*".

**Interest Deferral and payment of Arrears of Interest:**

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

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

- (i) the Coupon Payment Date contemporaneous with or immediately following a Mandatory Payment Event (as defined in the Terms and Conditions of the Securities); or
- (ii) the date on which the Securities are redeemed (in whole, but not in part) in accordance with Condition 3 (*Winding-up*), Condition 6(b) (*Optional Redemption by the Issuer*), Condition 6(c) (*Redemption for Taxation Reasons*), Condition 6(d) (*Redemption for Accounting Reasons*) or Condition 6(e) (*Redemption for Rating Reasons*) all as described in "*Terms and Conditions of the Securities – Deferral of Interest*".

**Optional Redemption:**

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

**Withholding Tax and Additional Amounts:**

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

<b>Governing Law:</b>	Dutch law.
<b>Ratings:</b>	The Securities will on issue be rated A by Standard & Poor's and A3 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
<b>Listing and Admission to Trading:</b>	Application has been made to list the Securities on Euronext Amsterdam.
<b>Selling Restrictions:</b>	<p>The United States and the United Kingdom, see "<i>Subscription and Sale</i>".</p> <p>The Issuer is Category 1 for the purposes of Regulation S under the U.S. Securities Act of 1933, as amended. The TEFRA D Rules shall apply.</p>
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities. These include various risks relating to the Issuer's business. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities. These include the fact that the Securities may not be a suitable investment for all investors and certain market risks, see " <i>Risk Factors</i> ".
<b>Use of Proceeds:</b>	The net proceeds of the issue of the Securities, expected to amount to approximately €494,670,000 (excluding expenses), will be applied by the Issuer for its general corporate purposes.
<b>ISIN:</b>	XS0997535520
<b>Common Code:</b>	099753552

### **Documents Incorporated by Reference**

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

1. the following sections of the annual report of the Issuer for the financial year ended 31 December 2012 (English version):
  - audited consolidated annual financial statements (pages 101-104)
  - notes to the audited consolidated annual financial statements (pages 105-156)
  - auditor's report (page 166-167);
2. the following sections of the annual report of the Issuer for the financial year ended 31 December 2011 (English version):
  - audited consolidated annual financial statements (pages 92-96)
  - notes to the audited consolidated annual financial statements (pages 97-150)
  - auditor's report (page 158); and
3. the Issuer's half-year report containing its unaudited results for the half-year ended 30 June 2013.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and from [www.alliander.com](http://www.alliander.com). The Annual Report of 2012 can be obtained from <http://www.alliander.com/en/alliander/investors/publications/index.htm>, the Annual Report of 2011 can be obtained from <http://www.alliander.com/en/alliander/investors/publications/index.htm> under "Archive" and the Half Year Report for the half-year ended 30 June 2013 can be obtained from <http://www.alliander.com/en/alliander/investors/publications/index.htm>.



## Terms and Conditions of the Securities

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

The €500,000,000 Reset Perpetual Capital Securities (the "**Securities**", which expression includes any further securities issued pursuant to Condition 17 (*Further Issues*) and forming a single series therewith) of Alliander N.V. (the "**Issuer**") are the subject of an issue and paying agency agreement dated 27 November 2013 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities) and as calculation agent (in such capacity the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Securities) and the other paying agent named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional Paying Agents appointed from time to time in connection with the Securities). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Securities (the "**Securityholders**" or "**Holders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Holders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of the Principal Paying Agent and of the other Paying Agent, the initial Specified Offices of which are Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom and Schiphol Boulevard 257, 1118 BH Amsterdam, The Netherlands, respectively.

### 1. FORM, DENOMINATION AND TITLE

#### (a) *Form and Denomination*

The Securities are serially numbered (in the case of Definitive Securities) and in bearer form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to (and including) €199,000, each with Coupons attached at the time of issue. No definitive Securities will be issued with a denomination above €199,000. Securities of one denomination may not be exchanged for Securities of any other denomination.

#### (b) *Transfer and Title*

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

### 2. STATUS AND SUBORDINATION

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

#### (a) *Status*

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

(b) *Subordination*

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

(c) *Set-off*

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

### 3. **WINDING-UP**

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

- (i) in priority to any distributions and liquidation payments in respect of any ordinary shares and preference shares, if any, in the capital of the Issuer;
- (ii) *pari passu* with the holders of any securities or other instruments issued by the Issuer and claims towards the Issuer which are expressed to rank *pari passu* with the Issuer's obligations under the Securities; and
- (iii) junior to the claims of all unsubordinated creditors, present and future, of the Issuer and to all subordinated creditors of the Issuer other than those whose claims (whether only in the event of a Winding-up of the Issuer or otherwise) rank *pari passu* with or junior to the claims of the Holders of the Securities,

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

The Issuer does not currently have any preference shares outstanding and does not intend to issue any preference shares.

### 4. **DEFERRAL OF INTEREST**

(a) *Deferral of Payments*

- (i) The Issuer may, if it so elects and in its sole discretion, by giving not less than 10 Business Days' notice prior to the relevant Deferred Coupon Payment Date to the Holders in accordance with Condition 16 (*Notices*) and to the Principal Paying Agent and the Calculation Agent (which notices shall be irrevocable), defer all or part of any Payment (including in relation to any Payment previously deferred) that is due on such date in respect of the Securities.
- (ii) Any such deferral shall not constitute a default by the Issuer for any purpose. Any interest not paid on a Coupon Payment Date shall remain due and shall (except to the extent such interest shall subsequently have been paid) constitute "**Arrears of Interest**", which, at the option of the Issuer (but subject as described in Condition 4(b) (*Compulsory Payments*)), may be paid by the Issuer (in whole but not in part) at any time by giving not less than 10

Business Days' notice prior to the relevant Deferred Coupon Payment Date to the Holders in accordance with Condition 16 (*Notices*) and to the Principal Paying Agent and the Calculation Agent (which notices shall be irrevocable) informing them of its election to so satisfy such Payment and specifying the relevant Deferred Coupon Payment Date.

- (iii) In addition, each amount of Arrears of Interest shall itself bear interest from, and including, the date on which (but for such deferral) the Arrears of Interest would otherwise have been due to be paid to, but excluding, the relevant date of payment of that Arrears of Interest as if it were principal of the Securities, at the same rate of interest from time to time as is applicable to the Securities. Any reference in these Conditions to Arrears of Interest shall be deemed to include interest accrued on Arrears of Interest.

(b) *Compulsory Payments*

The Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first to occur of the following dates:

- (A) the Coupon Payment Date contemporaneous with or immediately following a Mandatory Payment Event; or
- (B) the date on which the Securities are redeemed (in whole, but not in part) in accordance with Condition 3 (*Winding-up*), Condition 6(b) (*Optional Redemption by the Issuer*), Condition 6(c) (*Redemption for Taxation Reasons*), Condition 6(d) (*Redemption for Accounting Reasons*) or Condition 6(e) (*Redemption for Rating Reasons*).

## 5. COUPON PAYMENTS

(a) *Coupon Payment Dates*

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

(b) *Coupon Rate*

- (i) The Coupon Rate payable in respect of the Securities for the First Fixed Rate Period (the "**First Fixed Coupon Rate**") will be 3.250 per cent. per annum. The Coupon Amount in respect of each such Coupon Period will amount to €32.50 per Calculation Amount.
- (ii) The Coupon Rate payable in respect of the Securities for each Coupon Period falling in a Reset Period (each a "**Reset Coupon Rate**") shall be the rate calculated by the Calculation Agent to be the aggregate of (1) the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count fraction basis (as construed in accordance with the ISDA Definitions)) of a fixed-for-floating Euro interest rate swap transaction which has a term equal to a period of 5 years commencing on the relevant Reset Date and which is in an amount equal to the principal amount of the Securities then outstanding that is representative of a single transaction in the swap market two business days prior to the

beginning of the relevant Reset Period with an acknowledged dealer of good credit in the swap market, and where the floating leg, calculated on an Actual/360 day count basis (as construed in accordance with the ISDA Definitions) is for a period of 6 months and which appears on Reuters screen (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) (the "**Reset Screen Page**") designated "ISDAFIX2" under the heading "EURIBOR BASIS" and above caption "11:00 AM Frankfurt time" (as such headings and captions may appear from time to time) as of 11:00 a.m. (Brussels time) on the second Business Day (the "**Reset Coupon Determination Date**") prior to the beginning of the relevant Reset Period (the "**5 year Swap Rate**") and (2) the applicable Margin.

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

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

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

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

(c) *Publication of Coupon Rate and Coupon Amount per Calculation Period*

The Calculation Agent will cause the Coupon Rate, the Coupon Amount and the relevant Coupon Payment Date to be notified to the Principal Paying Agent and the Paying Agent and each listing

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

(d) *Notifications*

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

**6. REDEMPTION AND PURCHASE**

(a) *No Maturity Date*

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

(b) *Optional redemption by the Issuer*

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

(c) *Redemption for Taxation Reasons*

(i) The Issuer may redeem the Securities in whole, but not in part, upon not more than 60 days' nor less than 30 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Principal Paying Agent (all of which notices shall be irrevocable) by reason of a Withholding Tax Event, *provided that* such Withholding Tax Event cannot be avoided by the Issuer taking reasonable measures available to it and no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due.

(ii) The Issuer may also redeem the Securities in whole, but not in part, upon not more than 60 days' nor less than 30 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Principal Paying Agent (all of which notices shall be irrevocable) by reason of a Tax Deduction Event, *provided that* such Tax Deduction Event cannot be avoided by the Issuer taking reasonable measures available to it and no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which interest payments under the Securities will no longer be tax deductible by the Issuer for Dutch corporate income tax purposes.

- (iii) Upon a redemption upon the terms of (i) or (ii) above, the Issuer will redeem the Securities at (1) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the First Reset Date or (2) if such redemption occurs after (or on) the First Reset Date, at their principal amount, in each case together with interest accrued thereon, including any Arrears of Interest, up to (but excluding) the redemption date, and together with any Additional Amounts.

(d) *Redemption for Accounting Reasons*

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

Upon such redemption, the Issuer will redeem the Securities at (1) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the First Reset Date or (2) if such redemption occurs after (or on) the First Reset Date, at their principal amount, in each case together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, in each case upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Principal Paying Agent (all of which notices shall be irrevocable).

(e) *Redemption for Rating Reasons*

If, at any time, (i) any Rating Agency, which has assigned a sponsored rating to the Issuer, publishes a change in hybrid capital methodology or the interpretation thereof, or applies a different hybrid capital methodology or set of criteria after the Issue Date (due to changes in the rating previously assigned to the Issuer or for any other reasons), as a result of which the Securities would no longer be eligible for the same or a higher category of "**equity credit**" or such similar nomenclature as may be used by that Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of the Issuer's senior obligations, attributed to the Securities at the Issue Date (a "**Rating Event**"), or (ii) the Issuer has received confirmation from any Rating Agency, which has assigned a sponsored rating to the Issuer, that due to a change in hybrid capital methodology or the interpretation thereof, a Rating Event has occurred then the Securities will be redeemable, at the option of the Issuer, in whole but not in part. For the purposes of this Condition 6(e), a "**sponsored rating**" means a rating assigned by a rating agency with whom the Issuer has a contractual relationship pursuant to which the Issuer is assigned a rating and the Securities are assigned an equity credit.

Upon such redemption, the Issuer will redeem the Securities at (1) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the First Reset Date or (2) if such redemption occurs after (or on) the First Reset Date, at their principal amount, in each case together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, in each case upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Principal Paying Agent (all of which notices shall be irrevocable).

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

The Securities will be redeemable at the option of the Issuer, in whole but not in part on any Coupon Payment Date following the purchase by the Issuer of an aggregate principal amount of the

Securities equal to or in excess of 80 per cent. of the aggregate principal amount of the Securities issued (x) on the Issue Date and (y) if any, issued pursuant to Condition 17 (*Further Issues*).

Upon such redemption, the Issuer will redeem the Securities at (1) 101 per cent. of their principal amount, if such redemption occurs before (but excluding) the First Reset Date or (2) if such redemption occurs after (or on) the First Reset Date, at their principal amount, in each case together with accrued and unpaid interest to the date of redemption and all Arrears of Interest and Additional Amounts, if any, in each case upon giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 (*Notices*) and, not less than 15 days before the date on which notice is given to the Holders, to the Principal Paying Agent (all of which notices shall be irrevocable).

(g) *Purchases*

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

(h) *Cancellation*

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

## 7. **MODIFICATION**

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

- (i) they are not less favourable to the Holders than the terms of the Securities prior to such exchange or modification, including the same tax treatment for the relevant Holder (as reasonably determined by the Issuer in consultation with an independent investment bank or counsel of international standing);
- (ii) they are, except for the modifications required to avoid such Tax Deduction Event, Accounting Event, Rating Event or Withholding Tax Event, substantially identical to the terms of the Securities (including without limitation in respect of the Coupon Rate(s), ranking at least *pari passu* with the Securities immediately prior to such exchange or modification, the date of the First Reset Date and Coupon Payment Dates);
- (iii) the Issuer is in compliance with all applicable regulatory requirements;
- (iv) either (A) the person having the obligations of the Issuer under the Securities continues to be the Issuer or (B) such person is another member of the Group and such obligations are

guaranteed by the Issuer, such that investors have the same material rights and claims as provided under the Securities; and

- (v) the replacement or modified Securities continue to be listed on an internationally recognised stock exchange as selected by the Issuer (*provided that* the Securities immediately prior to such exchange or modification were so listed prior to the occurrence of the Tax Deduction Event, Accounting Event, Rating Event or Withholding Tax Event).

The Conditions of the Securities may only be modified if (i) all accrued interest on the relevant Coupon Payment Date has been paid in full, including any Arrears of Interest and Additional Amounts (if any), and (ii) the exchange or modification does not itself give rise to (a) any detrimental change in any published rating of the Securities or of the Issuer in effect at such time or (b) a Tax Deduction Event, an Accounting Event, a Rating Event or a Withholding Tax Event. The Issuer shall as soon as practicable give notice of such modification in accordance with Condition 16 (*Notices*).

## **8. PAYMENTS**

### *(a) Principal*

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

### *(b) Interest*

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

### *(c) Payments subject to fiscal laws*

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

### *(d) Deduction for unmatured Coupons*

If a Security is presented without all unmatured Coupons relating thereto, then:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:



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

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

(e) *Payments on business days*

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

(f) *Partial payments*

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

(g) *Exchange of Talons*

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

## 9. **ENFORCEMENT EVENTS**

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

(a) *Non-payment*

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

(b) *Winding-up*

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

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

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

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

## 10. TAXATION

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

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

presenting such Security or Coupon for payment on the last day of such period of 30 days; or

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

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

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

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

## 11. PRESCRIPTION

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

## 12. REPLACEMENT OF SECURITIES AND COUPONS

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

## 13. AGENTS

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

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

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

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

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

#### **14. MEETINGS OF SECURITYHOLDERS AND MODIFICATION**

##### **(a) *Meeting of Securityholders***

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

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

##### **(b) *Modification***

The Securities and these Conditions may be amended without the consent of the Securityholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Securityholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, as reasonably determined by the Issuer in consultation with an independent investment bank or counsel of international standing, not materially prejudicial to the interests of the Securityholders.

#### **15. SUBSTITUTION OF THE ISSUER**

- (a) The Issuer may, and the Holders hereby irrevocably agree in advance that the Issuer may without any further consent of the Holders being required, when no payment of principal of or interest on any of the Securities is in default, be replaced and substituted by any directly or indirectly wholly

owned subsidiary of the Issuer (the "**Substituted Debtor**") as principal debtor in respect of the Securities provided that:

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

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

## 16. NOTICES

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

## 17. FURTHER ISSUES

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

## 18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

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

## 19. DEFINITIONS

In these Terms and Conditions:

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

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

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

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

**"Agents"** means the Principal Paying Agent, the other Paying Agents and the Calculation Agent;

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

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

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

**"Calculation Amount"** means €1,000;

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

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

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

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

"**Coupon Payment Date**" means each of (i) 27 November in each year, commencing 27 November 2014, (ii) the First Reset Date, (iii) the First Step-up Date and (iv) the Second Step-up Date, *provided that* if any Coupon Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next Business Day unless it would then fall into the next calendar month in which event the Coupon Payment Date shall be brought forward to the immediately preceding Business Day;

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

"**Coupon Rate**" means the First Fixed Coupon Rate and each Reset Coupon Rate, as the case may be;

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

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

"**Deferred Coupon Payment Date**" means:

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

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

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

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

"**First Reset Date**" means 27 November 2018;

"**First Step-up Date**" means 27 November 2023;

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

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

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

"**Issue Date**" means 27 November 2013;



**"Issuer"** means Alliander N.V.;

**"Mandatory Payment Event"** means:

- (i) if the Issuer declares, resolves on, pays or distributes a dividend or makes a payment (other than a dividend in the form of shares) on any of the shares in its share capital;
- (ii) if the Issuer declares, pays or distributes a dividend or makes a payment on any Parity Securities, except where such dividend or payment was not discretionary under the terms of such Parity Securities;
- (iii) if the Issuer redeems, repurchases or otherwise acquires any of the shares in its share capital (other than (a) in connection with any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (b) as a result of the exchange or conversion of one class or series of capital stock for another class or series of capital stock or (c) as a result of any equity swap or asset swap or similar arrangement concluded by the Issuer with a third party); or
- (iv) if the Issuer redeems, repurchases or otherwise acquires any Parity Securities, except for (a) redemption of Parity Securities on their scheduled maturity date, or (b) a conversion into or exchange for shares in the share capital of the Issuer, or (c) if the Issuer offers to repurchase or otherwise acquire the Securities and Parity Securities in whole or in part in a public offer where the amounts of the Securities and Parity Securities repurchased or acquired are in proportion to their principal amounts then outstanding.

**"Margin"** means (i) in respect of each Coupon Period from and including the First Reset Date to but excluding the First Step-up Date: 2.295 per cent. per annum (no step-up), (ii) in respect of each Coupon Period from and including the First Step-up Date to but excluding the Second Step-up Date: 2.545 per cent. per annum (including a 0.25% step-up over the initial credit spread); and (iii) in respect of each Coupon Period from and including the Second Step-up Date to but excluding the date on which the Issuer redeems the Securities: 3.295 per cent. per annum (including a further 0.75% step-up);

**"Optional Redemption Date"** means the First Reset Date and each Coupon Payment Date thereafter;

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

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

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

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

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

**"Rating Agency"** means each of Moody's and S&P, where "Moody's" means Moody's Investors Services Limited or any of its successors, and "S&P" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or any of its subsidiaries or successors;

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

**"Reset Coupon Determination Date"** has the meaning ascribed to it in Condition 5(b)(ii) (*Coupon Payments*);

**“Reset Coupon Rate”** has the meaning ascribed to it in Condition 5(b)(ii) (*Coupon Payments*);

**“Reset Date”** means the First Reset Date and each fifth anniversary thereof thereafter;

**“Reset Period”** means each period beginning on (and including) a Reset Date and ending on (but excluding) the next succeeding Reset Date thereafter and “relevant Reset Period” shall be construed accordingly;

**“Second Step-up Date”** means 27 November 2038;

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

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

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

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

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

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

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

**"TARGET System"** means the TARGET2 system;

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

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

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

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

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

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

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

The following paragraphs in italics do not form part of the Terms and Conditions of the Securities to be issued under this Prospectus:

**Intentions regarding redemption and repurchase of the Securities**

*The Issuer intends (without thereby assuming a legal obligation), that if they redeem or repurchase the Securities, they will so redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any of the Issuer's Subsidiaries from the sale or issuance, during the 360-day period prior to the date of redemption, by it or any Subsidiary to third-party purchasers, other than a Group entity, of New Securities unless:*

- (i) the rating assigned by Standard & Poor's to the Issuer is at least "AA-" (or such similar nomenclature then used by Standard & Poor's) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*
- (ii) in the case of a repurchase, such repurchase is of less than (i) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (ii) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years; or*
- (iii) the Securities are redeemed pursuant to a Rating Event (to the extent it is triggered by a change of methodology at Standard & Poor's), an Accounting Event, a Tax Deduction Event or a Withholding Tax Event; or*
- (iv) the Securities are not assigned an "equity credit" (or such similar nomenclature then used by Standard & Poor's) at the time of such redemption or repurchase; or*
- (v) such redemption or repurchase occurs on or after 27 November 2038*

*New Securities means securities issued or sold by the Issuer or any of the Issuer's Subsidiaries for which the Issuer will receive "equity credit" (or such similar nomenclature used by Standard & Poor's from time to time) from Standard & Poor's, at the time of sale or issuance, that is equal to or greater than the "equity credit" for rating purposes attributed to the Securities at the time of their issuance (but taking into account any changes in hybrid capital methodology or the interpretation thereof since the issuance of the Securities)*

## **Summary of Provisions relating to the Securities while in Global Form**

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

### **1 Exchange**

The Temporary Global Security is exchangeable in whole or in part for interests in the Permanent Global Security on or after a date which is expected to be 6 January 2014, upon certification as to non-U.S. beneficial ownership. The Permanent Global Security is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Securities described below (i) if the Permanent Global Security is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) if principal in respect of any Securities is not paid when due and payable. Thereupon, the holder may give notice to the Principal Paying Agent of its intention to exchange the Permanent Global Security for Definitive Securities on or after the Exchange Date specified in the notice.

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

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

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

### **2 Payments**

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

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

### **3 Notices**

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

### **4 Meetings**

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

### **5 Purchase and Cancellation**

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

### **6 Default**

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

## Business Description of Issuer

The figures contained in this description relate solely to the consolidated figures as mentioned in the annual report 2012 of Alliander N.V.

### Incorporation and shareholders

Alliander N.V. (“**Alliander**”) was incorporated on 17 December 1998. Alliander is registered in the Arnhem Chamber of Commerce under number 34108286. It is a limited liability corporation duly incorporated under the laws of the Netherlands and has its registered office at Utrechtseweg 68, 6812 AH Arnhem, Postbus 50, 6920 AB Duiven, the Netherlands (phone number: +31 88 5426363).

Alliander's Articles of Association were last amended by notarial deed executed on 27 March 2013 before Mr. K.A. Verkerk, civil law notary in Arnhem. Alliander was formed through the merger of energy companies in the provinces of Noord-Holland, Zuid-Holland, Gelderland, Flevoland and Friesland. Alliander's shareholders comprise almost 80 public authorities, including the Province of Gelderland (44.68%), BV Houdstermaatschappij Falcon (Province of Friesland) (12.65%), Province of Noord Holland (9.16%), Municipality of Amsterdam (9.16%). These four largest shareholders have a controlling interest of 75.65%. The shareholders do not assume any responsibility for the debts of Alliander N.V. or its subsidiaries.

### Profile Alliander group

Alliander is a network company in the energy sector and owns the electricity and gas grids in about a third of the Netherlands. It has over 6,800 employees. Alliander's subsidiaries Liander N.V. (“**Liander**”) and Endinet B.V. (“**Endinet**”), as Grid Managers, perform the statutory management task in respect of the cables, pipelines and related equipment in Gelderland, Friesland, Flevoland, Noord-Holland, a part of Zuid-Holland and the eastern part of Brabant. The Grid Managers are responsible for connections to the energy infrastructure and for transportation of electricity and gas for 3.3 million customers. Alliander also provides services relating to the installation and maintenance of complex energy infrastructures, such as high voltage installations and private energy grids. These activities are performed by its subsidiary Liandon B.V. (“**Liandon**”).

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

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

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

## Profile Alliander N.V.

Alliander is the holding company of the Alliander group which group comprises, among others, the regulated broad grid managers, named Liander N.V. and Endinet B.V. (since 1 July 2010) and installation and maintenance services provider to complex energy structures, named Liandon B.V.

Important grid manager data			
	Unit	2012	2011
Number of electricity connection customers	in thousands	3,087	3,057
Number of gas connection customers	in thousands	2,644	2,630
Number of new electricity connections	in thousands	31	36
Number of new gas connections	in thousands	22	23
Number of smart meters	in thousands	379.0	154.0
Transported electricity volumes	GWh	30,522	30,576
Transported gas volumes	million m <sup>2</sup>	7,461	7,039
High-voltage (110/150 kV)	kilometres	412	551
Intermediate-voltage (50 kV)	kilometres	1,805	1,808
Medium-voltage (3/10/20 kV)	kilometres	37,009	36,717
Low-voltage (0,23 kV)	kilometres	48,059	48,407
<b>Size of electricity transport network</b>	<b>kilometres</b>	<b>87,285</b>	<b>87,483</b>
High-pressure (greater than 0,2 bar)	kilometres	7,102	7,131
Low-pressure (less than 0,2 bar)	kilometres	35,410	35,329
<b>Size of gas transport network</b>	<b>kilometres</b>	<b>42,512</b>	<b>42,460</b>

## Profile Grid Managers

Liander and Endinet (since 1 July 2010) are responsible for connecting and transporting gas and electricity. In 2010, the reliability of the grids operated by the Grid Managers exceeded 99.99%.

Generating about 92% of the revenue of the Alliander group, the Grid managers are Alliander's largest business units. The Grid Managers have 3.3 million customers in Gelderland and Noord-Holland and in large areas of Flevoland, Friesland, Zuid-Holland and Brabant.

The Grid Managers' duties are laid down by law. The Energy Department of the Authority for Consumers & Markets (*ACM/Energie*) monitors compliance. These statutory duties are:

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

The Grid Managers also offer other services, such as building, managing, maintaining and upgrading connections to the gas and electricity grid and supplying and reading energy meters.



## Profile Liandon B.V.

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

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

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

## The regulatory framework

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

## Unbundling

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

In February 2009 and prior to the Minister’s consent for the unbundling plan, the Issuer announced the takeover of the production and supply company N.V. Nuon Energy (“**Nuon Energy**”) by the Swedish energy company Vattenfall. The Issuer's shareholders agreed to the unbundling and sale of Nuon Energy on 17 June 2009. The competition authorities gave their consent shortly afterwards. On 1 July 2009 Nuon Energy was formally unbundled from its parent company (the Issuer). On the same date the Issuer changed its name from n.v. Nuon to Alliander N.V. The Issuer’s Management and Supervisory Boards were reconstituted as at that date.

By unbundling Nuon Energy the group achieved full compliance with the prohibition imposed by the WON on integrated energy companies. The unbundling plan referred to above describes how the financial separation will be effectuated. The basic aim was to create two financially healthy companies with balanced financing structures, taking into account the fact that Alliander operates chiefly in a regulated environment, while Nuon Energy is active in the free market. The financing structure set out in the unbundling plan does justice to the long-term investment requirements of both companies. This ensures compliance with the

Decree on the Financial Management of the Grid Manager, which stipulates that the total debt of the grid manager Liander divided by the sum of its shareholders' equity and total debt on the unbundling date may not exceed 60%.

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

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

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

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

## **2012 at a glance**

### *Capital market and money market activities*

Alliander has a € 3 billion EMTN programme. As at year end 2011, bonds totalling € 1.8 billion had been issued. In 2012, a total nominal amount of € 824 million was repaid/ redeemed early and a nominal amount of € 800 million was issued, meaning that bonds with a carrying amount of € 1.766 billion were in issue as at 31 December 2012 (nominal amount: € 1.776 billion).

Alliander also has a € 1.5 billion ECP programme. Under this ECP programme, an amount of € 537 million was issued in the year under review. As at year-end 2012, however, all the ECP loans had been repaid.

Alliander has contracted a committed backup credit facility totalling € 600 million with six banks. The facility runs until 13 July 2018. Part of this facility can also be used to issue letters of credit relating to cross-border leases. The facility has not been drawn on.

### *Rating*

In 2012, Standard & Poor's credit rating of A+/A-1 (positive outlook) and Moody's rating of Aa3/P-1 (stable outlook) remained unchanged. Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Limited are established in the European Union and are registered under the Regulation (EC) No. 1060/2009.

On 15 August 2013, Standard & Poor's Credit Market Services Europe Limited increased its rating of Alliander to AA-.

### **Business strategy**

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

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

Alliander's mission is translated into the following ambitions:

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

### **Financial results in 2012**

The profit after tax for 2012 was € 224 million (2011: € 251 million). Excluding incidental items and fair value movements, the net profit was € 228 million (2011: € 228 million). In the 2012 reporting period, the regulated revenue was higher than in the preceding year, taking advantage of the higher tariff ceiling allowed by the Office of Energy Regulation, the increased level of maintenance and network investments, as reflected in the costs of subcontracted work, operating expenses and amortisation/depreciation charges.

The cash flow from operating activities was slightly down, the solvency ratio and the net debt position increased and total assets increased by € 96 million, partly accounted for by an increase in the capital expenditure on the networks.

Revenue for 2012 was up by € 88 million (6%) compared with 2011, at € 1,674 million. This increase is largely accounted for by higher energy distribution tariffs (€ 122 million) for both electricity and gas (regulated activities), partially offset by lower revenue from deregulated activities (€ 35 million) reported by Liandon and Alliander AG among others.

Other income in 2012 came in at € 98 million (2011: € 109 million). The decrease of € 11 million is mainly due to a one-off compensation payment of € 7 million in 2011 connected with an incident involving a powder fire extinguisher.

Total operating expenses for 2012 came in at € 1,378 million (2011: € 1,297 million). The increase of € 81 million compared with 2011 is mainly due to a higher level of activities connected with maintenance and capital projects and an increase in costs outside Alliander's control, resulting in:

- an increase in both payroll and contract labor staff costs, totaling € 60 million. This was partly attributable to reorganisation costs amounting to € 15 million connected with organisational changes;
- higher amortisation/depreciation charges and a higher level of investment in the networks during the year but also affected by an increase in disposals – combined effect € 26 million;
- an increase in sufferance tax of € 13 million.

The increase in costs was partly offset by an increase of € 29 million in capitalised own production connected with the increased level of capital expenditure.

The operating profit for 2012 was down by € 4 million at € 394 million. Excluding incidental items, the operating profit came in at € 409 million, an increase of € 11 million compared with 2011.

Finance income and expenses in 2012 resulted in a net expense of € 145 million (2011: € 176 million). The reduction of € 31 million is due to the difference in fair value movements on financial instruments, a gain of € 39 million, and lower regular interest charges, down by € 7 million. The gains were partly cancelled out by higher costs (€ 14 million) connected with the bond buyback operation.

The share in the results after tax of associates and joint ventures in 2012 was a loss of € 15 million (2011: € 5 million loss). The 2012 and 2011 results include an impairment loss of € 12 million following adjustments of projected medium-term results.

The effective tax rate (the tax rate expressed as a percentage of profit before tax excluding the share in the results after tax of associates and joint ventures) for the 2012 financial year was 4% (2011: 15.1% negative). The difference between the standard rate of taxation and the effective tax burden in both years is mainly the effect of an adjustment in the forecast results in the long-term, which led to an increase in the carrying amount of the deferred tax assets, and the finalisation in 2011 of the corporation tax assessments for prior years.

The profit after tax for the year came in at € 224 million (2011: € 251 million). Excluding incidental items and fair value movements, the net profit for 2012 was € 228 million (2011: € 228 million). This result is accounted for by higher revenue (€ 88 million) resulting from the increase in regulated tariffs, the gain largely being offset by higher costs and amortisation/depreciation charges with a combined downside effect of € 81 million.

Alliander's results can be influenced by incidental items and fair value movements. Alliander defines incidental items as items which in the management's opinion do not derive directly from the ordinary activities and/or whose nature and size are so significant that they must be considered separately to permit proper analysis of the underlying results.

Net incidental items and fair value movements in 2012 combined to give a loss of € 4 million after tax (2011: € 23 million gain).

## **Management of Alliander N.V.**

### ***Management Board***

Alliander's Management Board consists of two members:

Mr P.C. Molengraaf      Chairman of the Management Board

Mr M.R. van Lieshout      Chief Financial Officer (CFO)

***P.C. Molengraaf*** (1965, Dutch nationality)

Chairman of the Management Board

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

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

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

Supervisory Directorships/Other Positions

- Member of the Supervisory Board of N.V. KEMA
- Member of the Supervisory Board of B.V. Ziut
- Member of the Supervisory Board of Vopak Nederland B.V.
- Member of the Members' Council of Netbeheer Nederland (Association of Energy Network Operators in the Netherlands)
- Board member of the employer's association for Energy, Cable & Telecom and Waste & Environment Businesses (WENb)

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

Member of the Management Board and CFO

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

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

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

Supervisory Directorships/Other Positions:

- Member of the Supervisory Board of Canisius-Wilhelmina Hospital.

***Supervisory Board***

The Supervisory Board of Alliander N.V. consists of the following six members:

E.M. d'Hondt

Ms J.W.E. Spies

J.C. van Winkelen

Ms J.G. van der Linde

F.C.W. Briët

Ms A.G.M. van der  
Veer-Vergeer

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

- Appointed in 2009
- Current term of office ends in 2017
- Member of the Selection, Appointment and Remuneration Committee
- Former Chairman of the Association of Universities in the Netherlands and former Mayor of Nijmegen

Supervisory directorships/other positions:

- Chairman of Supervisory Board: Brink Groep B.V.
- Chairman of Supervisory Board: Goudse Verzekeringen N.V.
- Member of Supervisory Board: BMC Groep B.V.
- Member of Supervisory Board: Police Academy
- Chairman of the Board of GGD (Municipal Health Department) Netherlands
- Vice-Chairman of the Netherlands Red Cross
- Member of Advisory Board of Netherlands Care Insurers

***J.W.E. Spies*** (1966, Dutch nationality)

- Appointed in 2013
- Current term of office ends in 2017
- Former Minister of the Interior and Kingdom Relations in the government Rutte-1

Supervisory directorships/other positions

- Member of the Board Consumer Affairs Arbitration Board
- Member of the Advisory Board of Fakton B.V.

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

- Appointed in 2009
- Current term of office ends in 2015
- Chairman of the Audit Committee
- Former Management Board Chairman of Vitens N.V. and former Director of N.V. Nuon Water

Supervisory directorships/other positions:

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

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

- Appointed in 2009
- Current term of office ends in 2017
- Member of Audit Committee
- Director of the Clingendael International Energy Programme

Supervisory directorships/other positions:

- Professor in Geopolitics and Energy Management at the Faculty of Arts of the University of Groningen
- Member of the Dutch General Energy Council
- Member of Supervisory Board: Wintershall Nederland B.V.
- Member of Advisory Council of Rotterdam Climate Initiative
- Member of International Advisory Council of KAPSARC

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

- Appointed in 2009
- Current term of office ends in 2015
- Chairman of the Selection, Appointment and Remuneration Committee
- Former Chairman of the Management Board of De Goudse Verzekeringen N.V., former Management Board Member of Koninklijke Hoogovens/Corus and Former Chairman of the Board of Directors of Unilever Nederland B.V.

Supervisory directorships/other positions:

- Chairman of Supervisory Board: Coöperatie Bloemenveiling FloraHolland U.A.
- Member of Supervisory Board: DWS Zorgverzekeraar
- Member of Advisory Board of Boval B.V.

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

- Appointed in 2009
- Current term of office ends in 2016
- Member of the Audit Committee
- Independent management adviser on strategy and governance/Director of the Stranergy consultancy
- Former CEO Currence Holding B.V., former CEO KPN Business Solutions Division, former member of Executive Board Achmea Bank Holding and former Board Chairman Staalbankiers N.V.

Supervisory directorships/other positions:

- Member of Supervisory Board: LeasePlan Corporation N.V.
- Adviser: National Register of Supervisory Directors and Regulators
- Member of Supervisory Board NPO (Netherlands Public Broadcasting Company)
- Member of Supervisory Board of the Netherlands Stomach Liver and Bowel Foundation
- Board Member of Stichting Preferente Aandelen Nedap

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

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

#### **Principal Subsidiaries of Alliander N.V.**

Liander N.V.

Endinet Groep B.V.

Liandon B.V.

Alliander A.G.

Ziut B.V. (53%)

n.v. KEMA (24.9% owned)

Stam Heerhugowaard Holding B.V.



## Major Shareholders

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

## Material Contracts

### *Cross-border lease transactions*

In the period 1998 to 2000, subsidiaries of Alliander entered into US cross-border leases for networks, including LILO (lease-in lease-out) and SILO (sale-in lease-out) transactions. The seven transactions currently remaining relate to gas networks in Friesland, Gelderland, Flevoland, Noord-Holland, Zuid-Holland, Noord-Brabant and Utrecht, district heating networks in Almere and Duiven/Westervoort and the electricity network in the Randmeren region. The networks have been leased for a long period to US parties (head lease), which, in turn, have subleased the assets to the various Alliander subsidiaries (sublease). At the end of the sublease there is the option of purchasing the rights of the American counterparty under the head lease, thus ending the transaction. The terms agreed for the subleases expire between 2015 and 2028. The fees earned on the cross-border leases were recognized in the year in which the transaction in question was concluded. There are conditional and unconditional contractual rights and obligations relating to the cross border leases. Security in the form of mortgages and pledges has been granted on parts of the networks within the framework of the obligations entered into. The total net carrying amount of the networks covered by cross border leases at year-end 2012 was approximately € 1.4 billion (2011: €1.4 billion). At the end of 2012, a total of \$ 4.1 billion (2011: \$ 4.0 billion) was held on deposit with several financial institutions or invested in securities in connection with these transactions. Since no powers of disposal exist over the majority of the assets concerned and associated liabilities, they are not regarded as assets and liabilities of Alliander and the respective amounts are not recognised in the consolidated financial statements of Alliander. The assets over which Alliander does have powers of disposal are recognised as financial assets. The associated lease obligations are recognised in finance lease liabilities.

At the end of 2012, the maximum 'strip risk' (the portion of the 'termination value' - the possible compensation payable to the American counterparty in the event of premature termination of the transaction - which cannot be settled from the deposits and investments held for this purpose) for all transactions together was \$ 326 million (year-end 2011: \$ 450 million). To cover the equity part of the strip risk, amounting to \$ 268 million at the end of 2012 (2011: \$ 322 million<sup>3</sup>), Alliander has provided the investors involved with security in the form of letters of credit for an amount of \$ 74 million (2011: \$ 103 million) in various transactions. The number and size of the letters of credit to be issued depends partly on Alliander's credit rating. The drop in the amount of the maximum strip risk as at year-end 2012 compared with the 2011 position is largely due to interest rate movements.

An amount of \$ 58 million of the maximum strip risk relates to two cross-border lease contracts that are recognised on the face of the balance sheet. The remainder, amounting to \$ 268 million, relates to the cross-border lease contracts accounted for as off-balance-sheet commitments.

In connection with the implementation of the Independent Network Operation Act, the heating networks belonging to Liander Infra Oost N.V. that had been covered by a cross border lease were subleased in mid-2008 to N.V. Nuon Warmte, part of N.V. Nuon Energy. These operating leases have a term of 12.5 years (term runs to 31 December 2020). The total carrying amount of the subleased heating networks and associated meters as at 31 December 2012 was € 109 million (2011: € 113 million).

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<sup>3</sup> In connection with a change in the definition of the equity strip risk in 2012, whereas a correction on the valuation of a specific investment as part of the strip risk is now included in the equity strip risk valuation, the comparative figures for 2011 have been restated for presentation purposes. The strip risk as such has not changed. The change entails that the valuation of this specific investment as part of the strip risk has been amended to mark-to-market valuation, whereas until 2012, this investment was valued based on Libor. Therefore the comparative figures for 2011 have been restated for presentation purposes.

**Auditor's report**

The auditors, PricewaterhouseCoopers Accountants N.V. issued unqualified auditor's reports on the financial statements for the financial years ended 31 December 2012 and 31 December 2011 of the Issuer on 15 February 2013 and 7 March 2012 respectively.

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

### **Use of Proceeds**

The net proceeds from the issue of the Securities, expected to amount to €494,670,000 (excluding expenses), will be applied by the Issuer (i) to finance the tender offer on the outstanding €500,000,000 Fixed-to-Floating Rate Perpetual Securities announced by the Issuer on 19 November 2013 and (ii) for its general corporate purposes.

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

## Taxation in the Netherlands

### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of Securities may include an individual or entity who does not have the legal title of these Securities, but to whom nevertheless the Securities or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Securities or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities.

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

This summary does not address the Netherlands tax consequences for:

- (i) investment institutions (*fiscale beleggingsinstellingen*);
- (ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Netherlands corporate income tax;
- (iii) holders of Securities holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Securities of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (iv) persons to whom the Securities and the income from the Securities are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*); and
- (v) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba and the Securities are attributable to such permanent establishment or permanent representative.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

### Withholding Tax

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

## Corporate and Individual Income Tax

### *Residents of the Netherlands*

If a holder of Securities is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes or has opted to be treated as a resident of the Netherlands for individual income tax purposes income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001, if:

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

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

### *Non-residents of the Netherlands*

If a person is not a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, nor has opted to be treated as a resident of the Netherlands for individual income tax purposes, such person is not liable to Netherlands income tax in respect of income derived from the Securities and gains realised upon the settlement, redemption or disposal of the Securities, unless:

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

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Securities are attributable, or (2) realises income or gains with respect to

the Securities that qualify as income from miscellaneous activities in the Netherlands which includes activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is other than by way of securities entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Securities are attributable.

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

### **Gift and Inheritance Tax**

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of a Security by way of gift by, or on the death of, a holder of a Security, unless:

- (i) the holder of a Security is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

### **Value Added Tax**

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

### **Other Taxes and Duties**

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

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### **The proposed financial transactions tax ("FTT")**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

## **Subscription and Sale**

Barclays Bank PLC, Citigroup Global Markets Limited, Coöperatieve Centrale Raiffeisen –Boerenleenbank B.A. (Rabobank International) and Morgan Stanley & Co. International plc (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 25 November 2013, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 99.434 per cent. of their principal amount less a combined selling, management and underwriting commission. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

## **SELLING RESTRICTIONS**

### **General**

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

### **United States**

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

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

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

### **United Kingdom**

Each Manager has represented and agreed that:

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



## General Information

1. Application has been made to the Euronext Amsterdam N.V. for the Securities to be listed on Euronext Amsterdam with effect from 27 November 2013. References in this Prospectus to the Securities being "listed" (and all related references) shall mean that the Securities have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).
2. The Issuer has obtained all necessary consents, approvals and authorisations in The Netherlands in connection with the issue and performance of the Securities. The creation and issue of the Securities was authorised by resolutions of the management board of the Issuer passed on 11 November 2013.
3. There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries, taken as a whole, since 30 June 2013. There has been no material adverse change in the prospects of the Issuer or the Issuer and its subsidiaries, taken as a whole, since 31 December 2012.
4. The Issuer is not, nor has it been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or of the Issuer and its subsidiaries, taken as a whole.
5. The Securities have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The International Securities Identification Number (ISIN) for the Securities is XS0997535520 and the Common Code is 099753552.

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

6. 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.
7. The auditors of the Issuer are PricewaterhouseCoopers Accountants N.V., the Netherlands, who have audited the accounts of the Issuer for the financial years ended 31 December 2011 and 31 December 2012 in accordance with generally accepted accounting principles and practices in The Netherlands. The relevant auditors of PricewaterhouseCoopers Accountants N.V. who have signed the audit reports incorporated by reference into this Base Prospectus are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*). The auditors of the Issuer have no material interest in the Issuer.
8. Save for the commissions and any fees payable to the Joint Lead Managers, no person involved in the issue of the Securities has an interest, including conflicting ones, material to the offer.
9. Copies of the following documents will be available free of charge during normal business hours from the registered office of the Issuer and from the specified office of the Paying Agents for the time being as long as any of the Securities remains outstanding:

(A) the Articles of Association (*statuten*) of the Issuer;

- (B) the annual reports of the Issuer for the years ended 2011 and 2012 (containing the audited financial statements of the Issuer, which include the consolidated financial statements), in each case together with the audit reports prepared in connection therewith;
- (C) the half-year report of the Issuer for the six-months ended 30 June 2013 (containing its unaudited results for the half-year ended 30 June 2013).
- (D) copies of the Agency Agreement; and
- (E) a copy of this Prospectus.

**Registered Office of the Issuer**

**Alliander N.V.**  
Utrechtseweg 68  
6812 AH Arnhem  
P.O. Box 50  
6920 AB Duiven  
The Netherlands

**Structuring Advisors**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**Joint-Lead Managers**

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Coöperatieve Centrale Raiffeisen –  
Boerenleenbank B.A. (Rabobank International)**

Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**Principal Paying Agent and Calculation Agent**

**Citibank, N.A., London Branch**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**Paying Agent**

**Citibank International PLC**  
Schiphol Boulevard 257  
1118 BH Amsterdam  
The Netherlands

**Auditors of the Issuer**

**PricewaterhouseCoopers Accountants N.V.**

Prinses Margrietplantsoen 46  
2595 BR Den Haag  
The Netherlands

**Legal Advisers**

**To the Issuer**

**Allen & Overy LLP**

Apollolaan 15  
1077 AB Amsterdam  
The Netherlands

**To the Joint Lead Managers**

**Clifford Chance LLP**

Droogbak 1A  
1013 GE Amsterdam  
The Netherlands