

Prospectus dated 6 February 2018



## 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 99.144 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) 8 February 2018 until (but excluding) 30 June 2025 the Securities will bear interest at a rate of 1.625 per cent. per annum, payable annually in arrear on 30 June 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 30 June of each year, starting on 30 June 2026, 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, including by Directive 2010/73/EU) and includes any relevant implementing measure 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 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 in a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended.

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, S.A. ("**Clearstream, Luxembourg**") and Euroclear Bank SA/NV ("**Euroclear**") on or about 8 February 2018. 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 20 March 2018, 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 Credit Market Services Europe Limited ("**S&P**") and A2 by Moody's Investors Service Limited ("**Moody's**"). Each of S&P 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

ING

Morgan Stanley

#### Joint Lead Managers

ING

Morgan Stanley

MUFG

Rabobank

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.

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

responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The Joint Lead Managers do not regard any actual or prospective holders of Securities as their clients in relation to the offer.

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

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, Morgan Stanley & Co. International plc (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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the 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.

## Table of Contents

	<b>Page</b>
Risk Factors .....	5
Overview .....	14
Documents Incorporated by Reference .....	17
Terms and Conditions of the Securities.....	18
Summary of Provisions relating to the Securities while in Global Form .....	38
Business Description of Issuer .....	40
Use of Proceeds .....	52
Taxation in the Netherlands.....	53
Subscription and Sale .....	56
General Information .....	58

## **Risk Factors**

*In purchasing the Securities, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Securities. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside its control. 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. 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.

The total net carrying amount of the networks covered by cross-border leases at year-end 2016 was approximately EUR 560 million (year-end 2015: EUR 550 million). At the end of 2016, a total of USD 2,733 million (2015: USD 2,635 million) was held on deposit with several financial institutions or invested in securities in connection with these transactions.

At the end of 2016 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 194 million (2015: USD 180 million). At the end of June 2017, the strip risk was USD 188 million. The strip risk is affected to a large extent by market developments.

In connection with the implementation of the Independent Network Operation Act, the heating networks belonging to Liander Infra Oost N.V. (now Liander Infra 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 2016 was EUR 95 million (2015: EUR 102 million).

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

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

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

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

In 2015, new Dutch legislation concerning electricity and gas (known as "STROOM") was developed by the Ministry of Economic Affairs. The goals of the amendment were, besides a consolidation of the current Electricity Act and the Gas Act, to adjust the Dutch legislation to the European legislation and to insert some flexibility in order to be able to handle the energy transition. The proposal was approved by the Dutch Parliament (*Tweede Kamer*), but rejected by the Senate (*Eerste Kamer*) in December 2015. In 2016, a revised proposal has been developed by the Ministry, but still has to be sent to the Parliament. The former adjustments in the regulatory framework have been skipped.

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 2016, 85% of the Issuer's consolidated revenues were generated by regulated activities.

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

The impact of the regulatory framework on the revenues of the Grid Manager can be described as follows. The revenues of the Grid Manager are dependent on a series of consecutive regulatory decisions of the Energy Chamber, notably the Regulation Method Decision (the "**Method Decision**") and secondly, the Efficiency Discount and Quality Factor Decisions as well as the Accounting Volume Decisions, which are applicable to a certain price control period. And finally the annual tariff decisions. As a consequence the overall financial position of the Grid Manager is sensitive to regulatory decisions based on estimated productivity goals by the regulator which could be too stringent or too slack. The following paragraphs expand on some specific aspects of this risk, which are particularly relevant for the position of the Issuer.

The allowed revenues are predominantly based on the (targeted) efficient cost level. Other factors that are taken into consideration are compensation payments for certain sufferance taxes and recalculation of the purchasing costs of TenneT, and (if applicable) recalculations due to juridical verdicts.

The efficient cost level of the Grid Manager includes a component based on the real weighted average costs of capital ("**WACC**"). The variables used to calculate the WACC consist of estimates for the cost of equity, the cost of debt, the relative percentages of debt and equity in the capital structure, the corporate tax rate and the consumer price index. The cost of equity represents the expected return on investment for the shareholders. The Issuer is the sole shareholder of the Grid Manager. The cost of debt represents the expected cost of debt for a company with an "A" credit rating. As is the case for almost all other cost factors the Energy Chamber bases the WACC on data which precede the regulation period for which the WACC is

determined. Thus, the WACC may incorrectly reflect the costs of capital which the Grid Manager will effectively incur during the relevant regulation period. For the current tariff regulation period (2017 - 2021), the estimated cost of equity is calculated at 5.02% and the cost of debt at 3.28% in 2017 decreasing in steps to 2.29% in 2021. In addition, the actual capitalisation of the Grid Manager may differ from the 50/50 debt/equity ratio assumed in the Method Decision, which would also have an impact on the profitability of the Grid Manager. Finally, the actual corporate tax rate may deviate from the corporate tax rate assumed in the Method Decision, which would have an impact on the profitability of the Grid Manager.

### ***Risks related to Energy Transition***

The energy market is undergoing rapid transformation. In terms of capacity demand, there is the advent of electric transportation and the increase in the use of heat pumps which means that the electricity network needs to be rapidly upgraded in many places. On the supply side, there is a growing trend towards renewable self-generation, particularly in the form of solar energy.

The take-up of the new energy systems is difficult to predict. Owing to uncertainty surrounding the energy transition scenarios as regards the disciplines of electricity, gas and heat (what will happen, where and at what speed) and a limited overall organisational focus, there is a risk that Liander has an inadequate overview of the regional and wider trends, making investment choices difficult. In addition, dwindling income streams from the gas network will further undermine the affordability of the energy system and Liander will become a limiting factor in the energy transition if its response to developments locally or more generally is delayed.

The Issuer's answer to this risk rests on three pillars: data-driven network operation, a more proactive approach to customers and the development of innovative solutions. Data-driven network operation will generate greater predictive insight. A more proactive customer approach will allow the Issuer to become aware of local trends at an earlier stage, benefiting the heating transition. Finally, by developing innovative solutions, the Issuer will be able to avoid having to increase network capacity and invest in new assets or decommission assets.

Lack of a timely anticipation of the impact of these developments could result in additional investments in order to continue meeting the energy demand in the future, which could have a material adverse effect on the Issuer's financial position.

### ***Risks related to availability of technical staff in labour market***

As the Dutch economy and the energy transition gather pace, the demand for specialised technicians is expected to grow. Unfortunately, specialised technicians are scarce in the Dutch labour market. In the coming two years, Alliander will need at least 80 extra field service engineers for Liander and at least 50 for Liandon. There is a risk that Alliander will not be able to recruit fast enough.

### ***Risk related to privacy of energy data***

As part of Alliander's energy network management activities, Alliander has access to privacy-sensitive data. This concerns e.g. connections, energy contracts, usage and costs. Clearly, safeguarding the privacy of these energy data is of great importance and is therefore a high priority for Alliander. The risk Alliander runs in relation to privacy violations is very real. As recently as 2016, the energy data of over two million households were stolen from one energy supplier's system.

Failure by Alliander to comply with all applicable rules and regulations in relation to privacy-sensitive data could potentially lead to fines, third party claims and loss of reputation and consequently could have an impact on the Issuer's business, financial position and results of operations. In addition, the Issuer may be required to incur significant costs to protect against or repair the damage caused by privacy violations.

### ***Risk related to Cyber crime***

Ongoing digitisation has made vital infrastructure (energy networks and above-ground assets) more vulnerable to political and terrorist hacking. Now that such incidents are on the rise, cybersecurity is more crucial than ever. Any failure to respond in time to rising or changing trends in cybercrime exposes Allander to a very high risk.

### ***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.

### **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, except for a redemption in connection with the occurrence of a Withholding Tax Event (unless such Withholding Tax Event coincides with a Tax Deduction Event) or (b) at their principal amount, if such redemption occurs after (or on) the First Reset Date (in each case 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 any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof after the Issue Date, 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 any amendment to, clarification of, or change in hybrid capital methodology or a change in 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) (i) on any date during the period commencing on (and including) 30 March 2025 and ending on (and including) the First Reset Date, or (ii) on any Optional Redemption Date thereafter. 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.

### ***Recently announced tax initiatives of newly elected Dutch government***

On 10 October 2017, the four parties that have formed the new Dutch government released their coalition agreement (*regeerakkoord*) 2017-2021 (the **Coalition Agreement**). The Coalition Agreement does not include concrete legislative proposals, but instead sets out a large number of policy intentions of the new Dutch government.

One of the policy intentions described in the Coalition Agreement is the introduction of a withholding tax on interest payments made to beneficiaries in low-tax jurisdictions. Although the coalition agreement suggests that this interest withholding tax is intended to combat "letterbox" structures, it cannot be ruled out that it will have a wider application and, as such, it could potentially be applicable to payments under the Securities. Many aspects of this policy intention remain unclear. As at the date of this Prospectus, no definition has been provided of what is considered to be a low-tax jurisdiction.

However, if the policy intentions are implemented in such a way as to give rise to a Withholding Tax Event (in each case as defined in Condition 19 (Definitions)), the Issuer may redeem the Securities pursuant to its option under Condition 6(c) (Redemption for Taxation Reasons).

### ***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.

#### ***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 S&P and A2 by Moody's. 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, upon the occurrence of a Rating Event (as further described above under *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 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.

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

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Netherlands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and the Securities generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Securities (as described under “Terms and Conditions of the Securities — Condition 17 (Further Issues)”) that are not distinguishable from previously issued Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Securities.

## 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>Issue Price:</b>	99,144 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 S.A. (“ <b>Clearstream Luxembourg</b> ”) and Euroclear Bank SA/NV (“ <b>Euroclear</b> ”) systems on or about 8 February 2018. 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 20 March 2018, 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) 8 February 2018 until (but excluding) 30 June 2025, the Securities will bear interest at a rate of 1.625 per cent. per annum, payable annually in arrear on 30 June of each year. There will be a first short coupon period from (and including) the Issue Date to (but excluding) 30 June 2018.

Thereafter, unless previously redeemed, the Securities, from (and including) 30 June 2025 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 per cent. step-up over the initial credit spread and, after the Second Step-up Date, a further 0.75 per cent. 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 30 June 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 are expected on issue to be rated A by S&P and A2 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>	The United States and the United Kingdom, see " <i>Subscription and Sale</i> ".  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.
<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 will be applied by the Issuer for its general corporate purposes.
<b>ISIN:</b>	XS1757377400
<b>Common Code:</b>	175737740



### 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 most recent Articles of Association (*statuten*) of the Issuer (the “**Articles**”);
2. the annual report of the Issuer for the financial year ended 31 December 2015 (English version) (the “**Annual Report 2015**”);
3. the annual report of the Issuer for the financial year ended 31 December 2016 (English version) (the “**Annual Report 2016**”);
4. the Issuer's half-year report containing its unaudited results for the half-year ended 30 June 2017 (the “**Half Year Report**”); and
5. the Issuer's press release dated 25 January 2018 entitled: “Alliander starts sales process of Allego” (the “**Press Release**”).

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and from the English version of the Alliander website ([www.alliander.com/en](http://www.alliander.com/en)). The Annual Report 2016 and the Annual Report 2015 can be found under the “Investor” tab and the most recent Articles can be obtained under the “Corporate Governance” part of the “About Alliander” tab. The Half Year Report can be found under the “Investor” tab. The Press Release can be found under the “News” tab.

## 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 8 February 2018 (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 any 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 Agents, the initial Specified Office of the Principal Paying Agent being Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB United Kingdom.

### 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, including the 2013 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 1.625 per cent. per annum. The Coupon Amount in respect of each such Coupon Period will amount to €16.25 per Calculation Amount, except for the first Coupon Period from (and including) the Issue Date to (but excluding) 30 June 2018 (short first coupon) which will amount to €6.32 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 "ICESWAP2" 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:

- (1) the rate calculated by the Calculation Agent to be the percentage rate determined by requesting the principal Euro-zone office of each of five leading swap dealers selected by the Issuer 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 and by determining the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth, 0.000005 being rounded upwards) of such quotations. 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 6 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; or
- (2) if no such quotations referred to in (1) above are provided, the 5 year Swap Rate Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5 year Swap Rate Reset Reference Bank Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 0.952 per cent per annum.

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 and stock exchange by which the Securities have then been admitted to listing and trading 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, (i) on any date during the Relevant Period, or (ii) on any Optional Redemption Date thereafter, 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 4 Business 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 4 Business 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.

Upon such redemption, the Issuer will redeem the Securities at their principal amount (or, if a Withholding Tax Event coincides with a Tax Deduction Event prior to (but excluding) the First Reset Date, at 101 per cent. of their principal amount), together with interest accrued thereon, including any Arrears of Interest, up to (but excluding) the redemption date, and together with any Additional Amounts.

- (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 4 Business 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.

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, 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 4 Business 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 any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof after the Issue Date, 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 any amendment to, clarification of, or change in hybrid capital methodology or a change in 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 4 Business 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 4 Business 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 to the Holders in accordance with Condition 16 (*Notices*) and to the Agents.

## **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) 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
- (c) 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
- (d) 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 and (b) 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 received 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 received 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 received 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*) and to the Agents.

## 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:

"**2013 Securities**" mean the €500,000,000 Reset Rate Perpetual Capital Securities issued on 27 November 2013 (XS0997535520);

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

"**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) 30 June in each year, commencing 30 June 2018, (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 30 June 2025;

"**First Step-up Date**" means 30 June 2030;

"**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 8 February 2018;

**"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: 0.952 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: 1.202 per cent. per annum (including a 0.25 per cent. 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: 1.952 per cent. per annum (including a further 0.75 per cent. 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, including the 2013 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 Investors Services Limited, Standard & Poor's Credit Market Services Europe Limited, and any other rating agency of equivalent international standing

granting a rating to the Issuer and/or the Securities and in each case, any of their respective successors to the rating business thereof;

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

"**Relevant Period**" means the period commencing on (and including) 30 March 2025 and ending on (and including) the First Reset Date;

"**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 5th 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;

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

"**Second Step-up Date**" means 30 June 2045;

"**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 30 June 2045*

*"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 amendment to, clarification of, or change in hybrid capital methodology or a change in 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 8 February 2018, 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 Issuer and 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 Temporary Global Security or Permanent Global Security and the Temporary Global Security the Permanent Global Security, as the case may be, 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. Such notices shall be deemed to have been given to the Securityholders in accordance with the Condition 16 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

### **4 Meetings**

The holder of the Temporary Global Security or the Permanent Global Security shall (unless the Temporary Global Security or 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 Temporary Global Security or the Permanent Global Security.

### **6 Default**

Each of the Temporary Global Security and the Permanent Global Security provides that the holder may cause the Temporary Global Security or the Permanent Global Security, as the case may be, 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 Temporary Global Security or the Permanent Global Security may elect that the Temporary Global Security or the Permanent Global Security, as the case may be, 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 each of the Temporary Global Security and the Permanent Global Security.

## Business Description of Issuer

The financial figures contained in this description relate solely to the consolidated financial figures as mentioned in the Annual Report 2016.

### 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 4 August 2015 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 56 public authorities, including the Province of Gelderland (44.68%), Province of Friesland (12.65%), Province of Noord-Holland (9.16%) and 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.

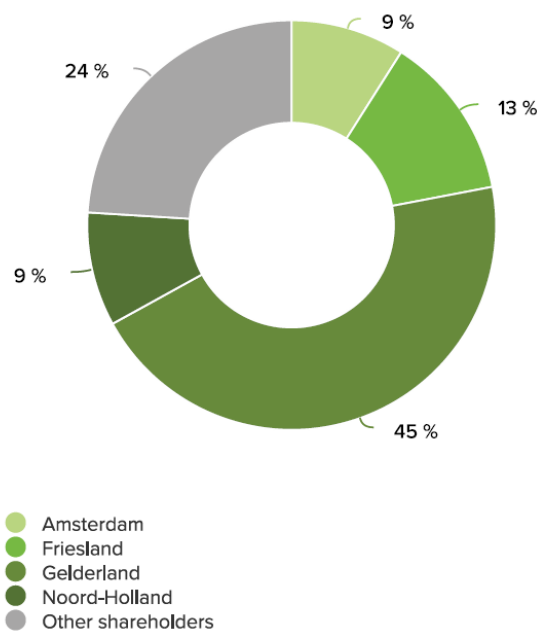
### Profile Alliander group

Alliander consists of a group of companies, among them Liander, Liandon, Allego, Kenter and Alliander Duurzame Gebiedsontwikkeling (“**DGO**”). Together we stand for high-quality knowledge of energy networks, energy technology and technical innovations. Network operation is our core activity. Network operator Liander keeps the energy infrastructure in good condition to ensure distribution of gas and electricity to millions of consumers and businesses every day.

#### Service area



#### Shareholders



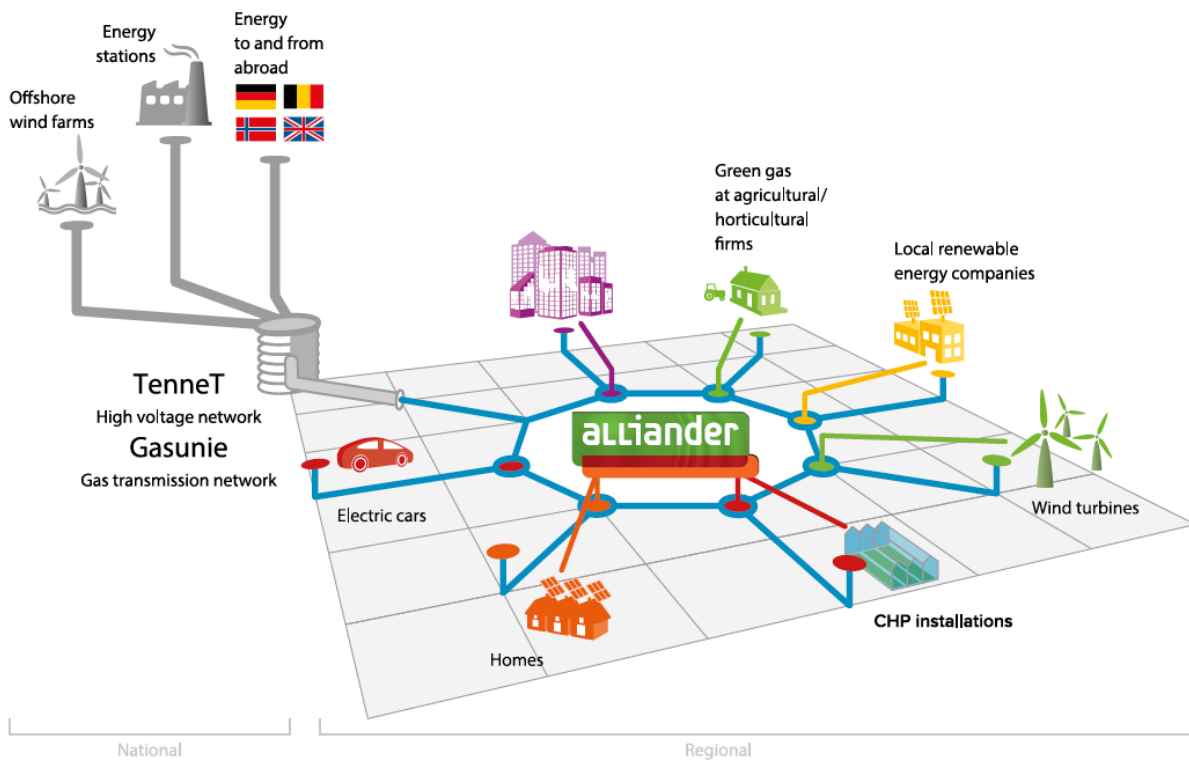


Liandon focuses on the development of sustainable technologies and intelligent energy infrastructures.

In addition, Alliander explores and develops new business activities that fit our company's strategy and the role we see for ourselves in the transition towards a more renewable energy system. Allego, for instance, is developing customised charging solutions and infrastructure for municipalities, businesses and transport companies. Metering company Kenter is delivering innovative solutions for metering energy and energy management. DGO connects area owners, public authorities, providers and users to help them realise their sustainable ambitions, e.g. through the development of open energy infrastructures.

As a network company, Alliander is responsible for the distribution of energy, such as electricity, gas, biogas and heating. Alliander does not produce or trade energy ourselves. This is done by energy suppliers, buyers and traders. The vast majority of the energy Alliander distributes in its regions comes from energy plants and wind farms through the international and national energy networks of TenneT and Gasunie. In addition, a growing number of consumers and businesses are feeding their self-generated energy into Alliander's networks. This is making the energy supply chain more dynamic. Alliander ensures that all energy is distributed as safely and efficiently as possible from source to end user - for instance, from wind turbines to households or electric vehicle charging points.

Alliander in the energy chain



Going forward, the task of Alliander as a network company is to ensure that its customers continue to enjoy ‘anytime, anywhere’ energy and freedom of choice of (sustainable) energy supplier. This leads to the mission that Alliander stands for an energy supply allowing everybody under equal conditions access to reliable, affordable and sustainable energy. Alliander is not a passive by-stander, but an active participant, co-creator and initiator of new markets. In its start-ups, Alliander combines its expertise with that of policy-makers and specialists to accelerate developments, while continuing to keep a close eye on the reliability, affordability and accessibility of the energy supply. It is Alliander's ambition to facilitate the energy transition by opening up new sustainable markets to customers and giving these markets an open character.

Alliander sees new markets and initiatives emerging in various areas. These include energy awareness and usage, sustainable energy generation and transportation, sustainable mobility, 'internet of energy', flexibility, storage and conversion and integration of new markets.

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, capital investors, the environment and society. Alliander acts at all times with an awareness of the social significance of energy to its customers and for society.

### Profile Alliander N.V.

Alliander is the holding company of the Alliander group which group comprises, among others, the regulated broad grid manager, named Liander N.V., installation and maintenance services provider to complex energy structures, named Liandon B.V. and new business activities in the infrastructure and services sectors like Allego B.V., Alliander Duurzame Gebiedsontwikkeling B.V. and Kenter B.V.



### Profile Grid Manager

Liander is responsible for connecting and transporting gas and electricity. In 2016, with an availability of the grids operated by the Grid Managers of 99.99% the company is among the most reliable energy networks in the world.

Generating about 92% of the revenue of the Alliander group in 2016, the Grid manager is Alliander's largest business unit. The Grid Manager has 5.6 million gas and electricity connections in Gelderland and Noord-Holland and in large areas of Flevoland, Friesland, Zuid-Holland and Noordoostpolder.

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

### **Profile Liandon B.V.**

As a technical specialist, Liandon designs, builds, manages and maintains complex private energy grids and large industrial and other installations for some 670 customers throughout the Netherlands. Liandon has customers in the field of high-voltage power, such as TenneT Holding B.V. (“**TenneT**”), as well as customers with their own energy network, such as Agriport, 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 Manager. 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. New legislation is scheduled to be submitted to Parliament and the impact on tariff regulation is only very limited. Major goals of the new legislation are a streamlining, optimisation and modernisation of the grids, whereas the allowed activities of network operators and network companies will be clarified.

### **Capital market and money market activities**

Alliander has a EUR 3 billion EMTN programme. At year-end 2016, bonds totalling EUR 1.9 billion, including a EUR 500 million perpetual hybrid loan, had been issued.

Alliander also has a EUR 1.5 billion ECP programme. Under this ECP programme, an amount of EUR 542 million was issued in 2016, of which EUR 75 million was outstanding at year-end 2016.

Alliander has contracted a committed backup credit facility totalling EUR 600 million with six banks. The facility runs until 28 July 2022. The facility has not been drawn on.

### **Credit Ratings**

On 30 July 2015, Moody’s increased the credit rating of Alliander to Aa2/P-1 (stable outlook), which credit rating was confirmed on 12 April 2017. On 15 August 2013, S&P increased the credit rating of Alliander to

AA-/A-1+ (stable outlook), which credit rating has been confirmed by S&P on 27 November 2017. S&P and Moody's are established in the European Union and are registered under the Regulation (EC) No. 1060/2009.

### **CSR rating**

Alliander's corporate social responsibility ("CSR") rating assigned by CSR rating agency Oekom is B+ (on a scale of A+ (highest) to D- (lowest)).

### **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 and renewable energy supply is provided both now and in the future.

This objective is translated into a mission, which is that Alliander stands for an energy system where everyone has equal access to reliable, affordable and renewable energy. The energy landscape is changing. Energy is now produced both centrally and locally, and new energy sources and applications are emerging. Innovative services are being introduced in such fields as electric transport, energy saving, energy management and local energy generation. This changing landscape makes different demands on our infrastructure, provision of information, and partnerships. Alliander aims to play a facilitating role in the energy transition. We are helping to create an open energy market and to support the sustainable energy choices of our customers and the regions where we operate.

Alliander's strategy is focused on four pillars:

- Alliander supports customers in making choices. This concerns not only a choice for energy source, but also ways of energy usages and time frame of energy usage;
- Alliander invests in alternative open infrastructures, like heating networks and charging infrastructures for electric mobility;
- Alliander digitises with the installation of smart meters, grid sensors and a telecom network;
- Excellent network management.

### **Financial results in 2016**

The profit after tax for 2016 was EUR 282 million (2015: EUR 235 million). The increase is mainly a result of the book profit of EUR 176 million on the sale of the network company Endinet to Enexis. Adding the newly acquired areas in Friesland and the Noordoostpolder to the figures led to an increase in both revenue and expenses. For comparison purposes it is noted that the 2015 result includes an incidental gain of EUR 66 million relating to the termination as per contract of a credit default swap ("CDS"), a financial instrument relating to two cross-border lease contracts. The instrument has now been settled in full.

Profit after tax from continuing operations excluding incidental items was EUR 132 million, which is EUR 41 million lower compared with 2015. This was mainly as a result of higher purchase costs, costs of subcontracted work and operating expenses and higher depreciation, partly offset by higher contributions to operations from customers.

Total income in 2016 rose EUR 43 million compared with 2015, to EUR 1,723 million, partly as a result of a rise in contributions to operations received from customers and a rise in regulated revenue despite the fall in regulated tariffs. The rise in regulated revenue followed the purchase of the networks in Friesland and the Noordoostpolder on 1 January 2016. Endinet's networks were sold to Enexis on 1 January 2016.

Total operating expenses for 2016 were EUR 1,516 million, which is EUR 175 million higher than in 2015. Total operating expenses in 2015 included a large gain relating to the termination as per contract of the CDS, a financial instrument relating to two cross-border lease contracts. The instrument has now been settled in full. Adjusted for this and other incidental items, there was an increase of EUR 104 million compared with 2015. This increase was chiefly a consequence of higher sufferance tax charges, higher costs passed on from the transmission network operator TenneT and higher depreciation. Alliander continues to work towards increased effectiveness and efficiency.

The significant trends in income and expenses are discussed below in greater detail. It should be noted in this context that items relating to Endinet for 2014 and 2015 are shown separately whereas reporting requirements mean that they are presented as a single 'profit after tax from discontinued operations' in the financial statements.

Revenue in 2016 rose by EUR 44 million compared with the previous year, from EUR 1,540 million to EUR 1,584 million. This increase was chiefly a consequence of the newly acquired areas in Friesland and the Noordoostpolder and growth in the number of gas and electricity connections and the metering service. The lower regulated gas and electricity distribution and connection tariffs and lower regulated tariffs for the metering service had an adverse effect on revenue.

Most of our revenue is generated by regulated activities. Alliander also has non-regulated activities, such as those of Liandon, and various new activities. Growth in these non-regulated activities created an increase in other revenue.

Total expenditure on maintenance costs (EUR 240 million) and network investments (EUR 555 million as part of Property, plant and equipment) in 2016, at EUR 795 million, was an increase of EUR 83 million compared with 2015 (EUR 712 million). The increase came mainly from higher investment in meters (by EUR 51 million) as a result of the large-scale offering of smart meters and increased investment in electricity networks (by EUR 50 million) following an increase in the working package. Expenditure on maintenance of the network (down EUR 7 million) and investment in the gas networks (down EUR 11 million) was lower than in 2015.

Total operating expenses rose from EUR 1,341 million in 2015 to EUR 1,516 million in 2016. Total operating expenses in 2015 included a large gain relating to the termination as per contract of a financial instrument relating to two cross-border lease contracts. Adjusted for this and other incidental items, there was an increase of EUR 104 million compared with 2015. This increase was chiefly a consequence of higher sufferance tax charges, higher costs passed on from the transmission network operator TenneT, higher depreciation and higher network maintenance costs. Alliander continues to work towards increased effectiveness and efficiency.

The increase was mainly due to:

- an increase of EUR 39 million in sufferance tax charges owing to more municipalities levying the tax in 2016 and a rise in rates;
- an increase of EUR 15 million in transmission capacity costs and restrictions resulting from higher tariffs being charged and volume increases, in addition to the fact that costs were reduced in 2015 by a settlement with TenneT for prior years;
- increased other operating expenses of EUR 20 million, due in part to higher professional fees as a result of the network swap operation with Enexis B.V. and higher ICT costs;
- an increase in depreciation of EUR 57 million, partly due to the networks taken over from Enexis, the higher level of capital expenditure in 2016 and accelerated depreciation on metering devices as a

result of the faster large-scale offering of smart meters. The impairment of certain assets led to an increase in depreciation;

- the increase was partly offset by lower costs for grid losses, down by EUR 10 million (mainly as a result of lower tariffs and positive effects of the expiry of positions and settlements relating to prior years) and an increase in own work capitalised of EUR 25 million (as a result of an improvement in productivity and increase in the working package).

The increase (EUR 16 million) in employee benefit expense for permanent staff and external personnel compared with the preceding year was due mainly to general pay increases and additions to staff-related provisions as a result of a lower discount rate. The increase in the number of employees coming from Enexis, as a result of the acquisition of AEF B.V., was more or less offset by fewer FTEs in the other business units.

The amount of sufferance tax charges increased by EUR 39 million compared with 2015, to EUR 149 million in 2016. The increase is largely due to the fact that more and more municipal authorities are levying sufferance tax charges on Liander and also that sufferance tax rates have risen. The sufferance tax is not included in the calculation of tariffs in the regulated domain and is treated as an objectively observable regional difference. This means that part of the sufferance tax levies for Liander are reflected, with a time lag in some cases, in the tariffs applicable to all customers in the area served by Liander. The local levies therefore lead to increased tariffs for all customers (about EUR 51 per customer per year) even though the tax is only levied by a limited number of municipalities. Liander is therefore in favour of the abandonment of sufferance tax for utilities which has now been announced by the Minister of the Interior and Kingdom Relations.

The costs of grid losses (excluding costs attributable to discontinued operations – Endinet) amounted to EUR 61 million, which is EUR 10 million less than in the preceding year. The lower figure is mainly the result of lower tariffs plus gains from the settlement of grid losses in prior years and an amount released from reserves.

The costs of providing transmission capacity passed on by electricity transmission network operator TenneT showed a further increase of EUR 15 million in 2016, to EUR 175 million (2015: EUR 160 million). This increase is mainly due to higher tariffs charged by TenneT as a result of including the system service tariff in the transmission charges. The service charges are set by the Authority for Consumers & Markets (ACM) and constitute an integral part of TenneT's tariffs.

The depreciation charges and impairment losses on non-current assets amounted to EUR 395 million, which is an increase of EUR 57 million compared with the preceding year (2015: EUR 338 million). The increase is mainly a consequence of depreciation of the networks acquired from Enexis, the higher level of investment in 2016 and accelerated depreciation of metering equipment as a result of the faster large-scale offering of smart meters. The impairment of certain assets also led to an increase in depreciation.

A drop in interest-bearing debt coupled with lower interest rates meant that the interest expense on loans from third parties was down by EUR 14 million in 2016, at EUR 51 million.

Alliander's results can be affected 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. To qualify as incidental items, a lower limit of EUR 10 million is in principle applied. Net incidental items and fair value movements in 2016 combined to give a gain of EUR 150 million after tax (2015: gain of EUR 24 million).

The incidental charge recognised as purchase costs, costs of subcontracted work and operating expenses includes EUR 10 million (2015: EUR 17 million) in respect of project costs and integration costs concerned with the exchange of the energy networks of Enexis in Friesland and the Noordoostpolder with those of

Liander in the Eindhoven region and Zuidoost-Brabant (Endinet) on 1 January 2016. Of the remainder of the incidental items included in purchase costs, costs of subcontracted work and operating expenses, EUR 11 million (2015: EUR 12 million) represents the cost of organisational changes.

In 2015, there was also an incidental gain of EUR 66 million recognised in purchase costs, costs of subcontracted work and operating expenses relating to the termination as per contract of the CDS, a financial instrument relating to two cross-border lease contracts. The instrument has now been settled in full.

The incidental charge of EUR 13 million (2015: nil) in depreciation and impairment is a consequence of the annual triggering event analysis and impairment calculation process and concerns additional depreciation of transformers, part of the network in Germany, vacant premises and part of the CDMA network.

The incidental financing charge of EUR 6 million in 2015 included a loss of EUR 4 million on currency translation differences relating to the now settled CDS (an instrument denominated in US dollars). The remaining loss in 2015 related to exchange differences between the euro and the US dollar on the other assets recognised in the balance sheet relating to cross-border leases. The tax effect of the incidental items and movements in fair value is recognised in tax.

These amounts relate to the tax effect of the incidental items in other income, total purchase costs, costs of subcontracted work and operating expenses and finance income and expense.

The incidental item in the profit after tax from discontinued operations in 2016 relates in full to the book profit on the sale of Endinet to Enexis. It should be noted that the substantial-holding privilege applies to the book profit.

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

### ***Management Board***

Alliander's Management Board consists of two members:

- Mrs I.D. Thijssen            Chief Executive Officer (CEO)
- Mr M.R. van Lieshout    Chief Financial Officer (CFO)

### ***Ingrid Thijssen***

Chief Executive Officer (CEO)

Ingrid Thijssen (1968) was appointed as Chief Executive Officer (CEO) effective from 1 September 2017. Therefor Mrs. Thijssen was appointed as a member of the Management Board and COO of Alliander effective from 1 March 1 2014; she was also responsible for the business and operational management of the network operator Liander. From 2011 to 2014, she chaired the Management Board of NS Reizigers B.V. Between 1997 and 2011, she held various executive and management roles at Nederlandse Spoorwegen. Ingrid Thijssen studied Law at Utrecht University and completed various programmes, including a Strategy Programme at the International Institute for Management Development (IMD) in Lausanne, Switzerland, and the Advanced Management Programme (AMP) of INSEAD in Fontainebleau, France. Ingrid Thijssen is a Dutch national.

Supervisory Board memberships / relevant other positions:

- Member of the Board of Overseers of HU University of Applied Sciences
- Member of the Customer Centricity Advisory Board of the Dutch Banking Association

- Member of the Supervisory Board of health insurer VGZ
- Member of the Supervisory Board of the Port of Rotterdam
- Chairperson of the Board of the Employers Union WENB

### ***Mark van Lieshout***

Member and Chief Financial Officer (CFO)

Mark van Lieshout (1963) has been a member of the Management Board and Chief Financial Officer (CFO) of Alliander since 1 January 2010. From 2008 to 2010, he was Alliander's Director of Finance, Treasury and Tax Affairs. Between 2003 and 2008, he was finance director of N.V. Nuon Business. Prior to 2003 he held various positions, including CFO of ABB Benelux.

Mark van Lieshout studied Business Economics at VU University Amsterdam and completed various Business Programmes at the International Institute for Management Development (IMD) in Lausanne, Switzerland, and the International Directors Programme (IDP) of INSEAD in Fontainebleau, France. Mark van Lieshout is a Dutch national.

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 five members:

- Ms A. Jorritsma-Lebbink
- G.L.M. Hamers
- Ms J.G. van der Linde
- Ms A.G.M. van der Veer-Vergeer
- B. Roetert

### **Ms. A. Jorritsma-Lebbink**

Chairman

First appointed to the Board on 1 July 2016. Current term ends in 2020.

Alliander committees: member of the Selection, Appointment and Remuneration Committee

Profession/chief position: Dutch Senate member for VVD (People's Party for Freedom and Democracy) since 9 June 2015, and VVD Senate leader since 24 November 2015

Relevant previous positions: Started her national political career as a member of the Dutch House of Representatives in 1982. Served in two successive governments (Kok I and Kok II) as, respectively, Minister of Transport, Public Works and Water Management and Minister of Economic Affairs and Deputy Prime Minister. From 2003-2015, Ms Jorritsma was Mayor of Almere.



Relevant other positions: member of the Supervisory Board of PricewaterhouseCoopers (PWC) Nederland B.V., chairwoman of NVP (Netherlands Private Equity and Venture Capital Association), member of the Supervisory Board of NBTC Holland Marketing, National Female Executive Ambassador, chairwoman of 'Public Sector Manager of the Year' Foundation, chairwoman of KNHM (network to promote joined-up sustainable communities), jury chairwoman for 'Business Woman of the Year', chairwoman of Football & Safety Audit Team, chairwoman of the Supervisory Board of "Real Next" Foundation.

**G.L.M. Hamers**

First appointed to the Board on 7 April 2016. Current term ends in 2020.

Alliander committee: member of the Audit Committee

Profession/chief position: CEO Vanderlande Industries Holding B.V.

Relevant previous positions: CEO international shipbuilding IHC Merwede (currently Royal IC).

Relevant other positions: Member of the Supervisory Board of EXA Holding, member of the International Advisory Board of Bureau Veritas (Testing, Inspection and Verification), member of the Advisory Council of Brainport Industries, Board Member of High Tech NL, chairman of the Export Policy Committee of VNO-NCW, member of the National Export Committee, member of LRN (Netherlands Aerospace Board), board member of NCH (Netherlands Centre for Trade Promotion)

**Ms J.G. van der Linde (1957)**

First appointed to the Board on 29 October 2009 Current term ends in: 2021

Alliander committees: member of the Audit Committee

Profession/chief position: Director of Clingendael International Energy Programme

Relevant other positions: member of the Supervisory Board of Wintershall Nederland B.V., member of the Supervisory Board of Wintershall Noordzee B.V., member of the International Advisory Board of KAPSARC

**Ms A.P.M. van der Veer-Vergeer (1959)**

First appointed to the Board on 30 June 2009 Current term ends in: 2020

Alliander committees: Chairwoman of the Audit Committee

Profession/chief position: management consultant on strategy and governance/Director of Stranergy Consultancy

Relevant previous positions: CEO of Currence Holding B.V., CEO of KPN Business Solutions Division, member of the Executive Board of Achmea Bank Holding N.V., Board chairman of Staalbankiers N.V.

Relevant other positions: Board chairman of the Supervisory Board of Arcadis Netherlands, member of the Supervisory Board of LeasePlan Corporation N.V., adviser to National Register of Supervisory Directors and Regulators, board member of Stichting Preferente Aandelen Nedap, guest lecturer at Nyenrode Business University and Erasmus University Rotterdam, chairwoman of Accountancy Monitoring Committee

**Dhr. B. Roetert (1956)**

First appointed to the Board on 19 February 2015 Current term ends in: 2019

Alliander committees: chairman of the Selection, Appointment and Remuneration Committee

Profession/chief position: Director/Owner of Advies, Bestuur en Toezicht (AB&T)

Relevant previous positions: CEO of Schuitema N.V./C1000 and Board chairman of Friesland Foods West Europe

Relevant other positions: Board chairman of Centraal Bureau Levensmiddelen (CBL), Board chairman of Food Valley NL, chairman of the Supervisory Board of Jan Linders Supermarkten, chairman of the Supervisory Board of Scherpenzeel B.V., member of the Supervisory Board of Royal Smilde, member of the Supervisory Board of Noviflora Beheer B.V., chairman of the Advisory Council of SMEVA Valkenswaard, member of the Advisory Council of Advies Hessing Supervers, Treasurer of Afvalfonds Verpakkingen, Board Member of DDL/DDZ Duurzaam Levensmiddelen Keten

All members of the Supervisory Board are Dutch nationals and meet the requirements of the Dutch Corporate Governance Code (best practice provision III.3.4) and of the Management and Supervision Act (Section 2:252a sub 1 of the Dutch Civil Code) regarding the maximum number of supervisory board positions. None of the members of the Supervisory Board holds another position at a Dutch listed company.

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.

Alliander is not aware of any actual or potential conflicts of interest 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.

Liandon B.V.

Alliander A.G.

Kenter B.V.

Allego B.V.

Alliander Duurzame Gebiedsontwikkeling B.V.

Stam Heerhugowaard Holding B.V.

### **Major Shareholders**

The four largest shareholders in the Issuer are: Province of Gelderland (44.68%), Province of Friesland (12.65%), Province of Noord-Holland (9.16%) and the municipality of Amsterdam (9.16%). The remainder is owned by 52 smaller municipal shareholders.

### **Auditor's report**

The Issuer's auditors, Deloitte Accountants B.V., issued an unqualified independent auditor's report on the financial statements for the financial year ended 31 December 2016 on 6 March 2017. The Issuer's former auditors PricewaterhouseCoopers N.V. issued an unqualified auditor's report on the financial statements for the financial year ended 31 December 2015 on 23 February 2016.

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.

### **Recent Developments**

On 21 July 2017, Alliander signed a loan agreement of €300 million with the European Investment Bank (EIB). This loan will be used to renew and expand the Liander networks. The loan period is at least 3 years and up to 14 years and will be repaid as a lump sum at maturity date. This loan will be made available in multiple tranches at which interest will be determined at that time. A first tranche under this loan of €75 million was drawn by Alliander on 21 September 2017.

### **Use of Proceeds**

The net proceeds from the issue of the Securities will applied by the Issuer for its general corporate purposes.

## 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 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) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a percentage 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 deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The 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, 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.

### **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**). However, Estonia has since stated that it will not participate.

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.

However, 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**

Coöperatieve Rabobank U.A., ING Bank N.V., Morgan Stanley & Co. International plc and MUFG Securities EMEA plc (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement dated 6 February 2018, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Securities at 99.144 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 Joint Lead 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.



### **Prohibition of sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
  - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities.

## 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 8 February 2018. References in this Prospectus to the Securities being "listed" (and all related references) shall mean that the Securities have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended. The expenses in connection with the listing of the Securities are expected to amount to approximately EUR 8,000.
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 9 January 2018.
3. Except as described under "*Recent Developments*" in the section "*Business Description of the Issuer*", 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 2017. 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 2016.
4. In November 2010, Alliander issued a subordinated perpetual bond with a nominal value of €500 million. In December 2013, this bond was redeemed. Under IFRS, an instrument of this type qualifies as equity. At the time of issuance of the bond it was assumed that the periodical payments made to the holders of the bonds would count as deductible interest expense for the purposes of Dutch corporate income tax. As at the date of this Prospectus, no agreement has been reached with the Dutch Tax & Customs Administration concerning the tax treatment of these bonds. On 20 December 2016, the Court in Arnhem granted Alliander's appeal in the ongoing proceedings. The Tax & Customs Administration has announced its intention to take the matter to the Court of Appeal. The total maximum exposure for Alliander is approximately €35 million.

Except as described above, 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 XS1757377400 and the Common Code is 175737740.

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. PricewaterhouseCoopers Accountants N.V., the Netherlands, have audited the accounts of the Issuer for the financial year ended 31 December 2015 and Deloitte Accountants B.V. have audited the accounts of the Issuer for the financial year ended 31 December 2016 in accordance with Dutch law, including the Dutch Standards on Auditing. The relevant auditors of PricewaterhouseCoopers

Accountants N.V. and Deloitte Accountants B.V who have signed the independent audit reports incorporated by reference into this Base Prospectus are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*). From the start of the 2016 financial year Deloitte Accountants B.V. is the auditor of the Issuer. 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;
  - (B) the Annual Report 2015 and the Annual Report 2016 (containing the audited financial statements of the Issuer, which include the consolidated financial statements and the independent audit reports prepared in connection therewith);
  - (C) the Half-Year Report (containing the unaudited results for the half-year ended 30 June 2017 of the Issuer);
  - (D) the Press Release;
  - (E) copies of the Agency Agreement; and
  - (F) 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**

**ING Bank N.V.**  
Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**Joint Lead Managers**

**Coöperatieve Rabobank U.A.**  
Croeselaan 18  
3521 CB Utrecht  
The Netherlands

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Foppingadreef 7  
1102 BD Amsterdam  
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London E14 4QA  
United Kingdom

**MUFG Securities EMEA plc**  
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United Kingdom

**Principal Paying Agent and Calculation Agent**

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

## **Auditors of the Issuer**

*For the year ended 31 December 2015*

### **PricewaterhouseCoopers Accountants N.V.**

Prinses Margrietplantsoen 46  
2595 BR Den Haag  
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*For the year ended 31 December 2016*

### **Deloitte Accountants B.V.**

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## **Legal Advisers**

*To the Issuer*

### **Allen & Overy LLP**

Apollolaan 15  
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*To the Joint Lead Managers*

### **Clifford Chance LLP**

Droogbak 1A  
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