Prospectus dated 11 July 2013

TenneT Holding B.V.

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

€8,000,000,000
Euro Medium Term Note Programme
Due from one month to 30 years from the date of original issue

Under the Euro Medium Term Note Programme described in this Prospectus (the "**Programme**"), TenneT Holding B.V. (the "**Issuer**" or "**TenneT**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €8,000,000,000 (or the equivalent in other currencies).

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, has approved this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member States of the European Economic Area (the "**Prospectus Directive**"). Application may be made to Euronext Amsterdam N.V. ("**Euronext**") for Notes issued under the Programme to be listed on NYSE Euronext in Amsterdam ("**Euronext Amsterdam**"). References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may also be issued pursuant to the Programme and application may be made to other exchanges for Notes issued under the Programme to be listed on such other exchanges. The relevant Final Terms (as defined in "Overview of the Programme – Method of Issue") in respect of the issue of any Notes will specify whether or not an application will be made for such Notes to be listed on Euronext Amsterdam or on any other exchange.

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

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

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

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to any Notes may adversely affect the market price of the Notes.

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

Arranger for the Programme
ING

Dealers

Barclays	**BNP PARIBAS**
ING	**The Royal Bank of Scotland**

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

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

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference"). This Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

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

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

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

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

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation

by any of the Issuer, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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

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

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

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

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RISK FACTORS

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

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

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

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

Any references in this Prospectus to the "TenneT Group" are to the Issuer and its subsidiaries and affiliates taken as a whole.

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

Global financial and economic uncertainty

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

Financing risk

The Issuer faces substantial financing needs in the coming years to fund its onshore and offshore investment projects in the Netherlands and Germany as well as potential international sub-sea high-voltage cables (also see page 85 of the "Business Description"). If the Issuer is unable to raise such financing, it might not be able to invest as scheduled. Any limitations on the Issuer's ability to invest as scheduled, could impact the Issuer's cash flows, and affect its ability to execute its strategic plans, which could have a material adverse effect on the Issuer's business, financial condition and net income.

Current and future bank and capital markets conditions

Current and future problems that are and may be impacting the domestic and international debt and equity markets generally may adversely affect the availability and cost of funding for the Issuer. The envisaged capital expenditures and ensuing financing needs of the Issuer will require that it seeks external financing, either in the form of public or private financing or other arrangements, which may not be available at attractive terms or may not be available at all. Any such limitations on the Issuer's envisaged capital expenditures, could limit the Issuer's liquidity, its financial flexibility and/or its cash flows and affect its ability to execute its strategic plans, which could have a material adverse effect on the Issuer's business, financial condition and net income.

Interest rate risk

The Issuer is allowed under its current policy to partly finance itself with floating rate debt. As the reference interest rate on this debt can fluctuate, the Issuer is exposed to interest rate risk. In addition, interest rates on future debt issuances as a result of the Issuer's large financing needs are yet uncertain. Increasing interest rates will result in higher interest costs and may negatively impact the profitability of the Issuer. The Issuer's policy is to have between 50% and 100% of its debt portfolio on a fixed-rate basis or hedged through the use of interest rate swaps. By way of example, on 31 December 2012, approximately 77 % of the debt portfolio of the Issuer was on a fixed rate basis or hedged and has an original maturity longer than 12 months. Adverse fluctuations and increases in interest rates, to the extent that they are not hedged, could have a material adverse effect on the Issuer's financial condition and net income.

Credit rating

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

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

The revenue, profits and financial position of the Issuer could be affected by the regulatory frameworks in different ways.

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

The Issuer's income depends on interest and dividends received from its subsidiaries. Payments of interest and dividends to the Issuer from TenneT TSO B.V. ("**TenneT TSO NL**"), TenneT TSO GmbH ("**TenneT TSO Germany**") and TenneT Offshore GmbH ("**TenneT Offshore**"), including their subsidiaries, are not regulated. However, the Issuer's net income is to a large degree derived from the revenues of the regulated activities of its subsidiaries. Such activities of the Issuer's regulated subsidiaries depend on governmental regulations and European legislation, which implies that in the end the Issuer's net income is sensitive to regulatory amendments and decisions.

For example, the Dutch regulator, the Authority Consumer & Market (*Autoriteit Consument & Markt*) (the "**Authority Consumer & Market**" or **"ACM"**), extensively supervises TenneT TSO NL regarding its financial position and the quality and capacity of its high-voltage grid. In respect of the financial position, TenneT TSO NL is legally required to comply with regulations regarding the financial health of grid companies. If TenneT TSO NL is not compliant, TenneT shall need to inform the ACM and present a plan to restore its financial position. This implies a risk that TenneT TSO NL would no longer be able to pay dividends to the Issuer.

Dutch regulatory framework

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

In 2012, 35% of the Issuer's consolidated revenues were generated by TenneT TSO NL and its subsidiaries. TenneT TSO NL's policy is to pay 50% of its net income as a dividend to the Issuer as long as this does not have a material adverse effect on TenneT TSO NL's financial position.

The revenues of TenneT TSO NL are subject to ex ante regulation by the Authority Consumer & Market (as of 1 April 2013, the Dutch Competition Authority, including its Energy Chamber, merged into the Authority Consumer & Market). Therefore, the regulatory framework has a substantial effect on the dividend and interest income of the Issuer. Besides ex ante regulation, TenneT TSO NL is to some extent subject to ex post regulation by the Authority Consumer & Market. The Electricity Act 1998 (this act, as amended from time to time, the "Electricity Act") provides for the possibility of correcting TenneT TSO NL's tariffs under specific circumstances. Revenue surpluses and deficits resulting from differences between expected (ex ante) and realised (ex post) electricity transmission volumes by TenneT TSO NL are incorporated in tariffs of subsequent year(s). The method of regulating the tariffs of TenneT TSO NL is hence based on turnover regulation. Contrary to the regional electricity grid administrators, TenneT TSO NL therefore does not run any transmission volume risk (in the long run). It is however noted that – because the revenues deficits (or surpluses) due to deviations between expected and realised transmission volumes are compensated in tariffs for subsequent years – TenneT TSO NL's reported income on the short term is affected by fluctuations in volumes. In addition to accounting for differences in respect of deviations in transmission volumes also certain expenses (for the regulation period 2011-2013) such as purchases of emergency power and cross border tariffs (InterTSO compensation), differences between budgeted and realised amounts are taken into account in the tariffs for the subsequent years. The Authority Consumer & Market has adopted a prudent attitude with respect to such ex post tariff recalculations.The financial risks of TenneT TSO NL for the other components of the budget for the purchase of ancillary services (grid losses, power reserve and black start services) are – once again for the regulation period 2011-2013 – maximised to 5% of the applicable budget. The Authority Consumer & Market's approach to the costs of ancillary services – as well as for other services and costs – may be different in any subsequent regulation period.

Transportation services and system service costs

Under the statutory incentive regulation for transportation services, the yearly revenue cap for TenneT TSO NL is calculated on the basis of approved grid costs from the year 2009 by applying both an individual efficiency factor (which reflects TenneT TSO NL's efficiency as compared to, and which is determined in comparison with, other European transmission operators) as well as a sector productivity factor ("frontier shift"). At the start of the regulation period 2011-2013, TenneT TSO NL's total expenditures for the extra high-voltage ("**EHV**") grid are considered 48% efficient. The expenditures for the high-voltage ("**HV**") grid are deemed 100% efficient. The latter percentage is explained by the fact that the Authority Consumer & Market concluded that currently insufficient (reliable) data are available to measure the efficiency of high-voltage expenditures. It is likely that suitable data to assess the efficiency of HV expenditures will become available in subsequent regulation periods. The current 100% efficiency of the HV grid implies the fact that an adjustment, if any, can only be downwards. The applied efficiency factor for the EHV-grid expenditures is 0.92. This parameter is derived from the efficiency score of 48% plus a 10% mark-up to account for uncertainties in the determination of TenneT TSO NL's efficiency, as well as a mark-up of 34% resulting from the Authority Consumer & Market's willingness to allow TenneT TSO NL to make up its efficiency backlog in the course of five regulation periods, *i.e.* a period of 15 years. This is however a mere calculation for the purposes of determining the efficiency factor for the regulation period 2011-2013. No inferences can be based on this as to what the efficiency of TenneT TSO NL or the applied efficiency factors in subsequent regulation periods will be. A new decision in which the efficiency and productivity factor of TenneT TSO NL will be determined for the next regulation period of 3 years (2014-2016) is expected in the fall of 2013. According to the draft Method Decision (as referred to below) for the next regulation period, which was published on 1 May 2013 by the Authority Consumer & Market, the efficiency factor for the EHV-grid expenditures for the next regulatory period (2014-2016) will be 0.887. It is noted that the Authority Consumer & Market may adjust this efficiency factor and the 1.0 (100%) efficiency for the HV-grids, in case the results of additional research performed by, among others, the Authority Consumer & Market in regard to a European TSO-benchmark and the specific implications for TenneT TSO NL thereof, will become available in due time before the Authority Consumer & Market adopts its final Method Decision. It is furthermore noted that TenneT given its view on the draft Method Decision in writing within the set time frame of six weeks. The Authority Consumer & Market may (or may not) incorporate all or part of TenneT's views in its final decision, which is expected in the fall of 2013. In addition, the Authority Consumer & Markets may, e.g. based on views filed by other parties, deviate from the draft Method Decision. TenneT has the right of appeal in relation to such final Method Decision of the Authority Consumer & Market.

The yearly revenue caps are reduced by an assumed sector productivity factor ("frontier shift") of 1.9% (adjusted to the respective consumer price index) for all costs (with the exception of the costs related to purchasing ancillary services and cross border tariffs) for the regulation period 2011-2013. According to the draft Method Decision (as referred to below) that has been published on 1 May 2013 by the Authority Consumer & Market, the frontier shift for the next regulatory period (2014-2016) will be 1.4% per annum. This percentage may be different in the final Method decision.

As opposed to transportation service costs, where statutory incentive regulation applies as described above, incentive regulation for system service costs is for the first time achieved through the adoption by the Authority Consumer & Market of a budget for the regulation period 2011-2013.

Regulatory decisions

For its level of permitted revenues, TenneT TSO NL is dependent on a series of regulatory decisions by the Authority Consumer & Market, that is the Regulation Method Decisions ("Method Decisions"), the Efficiency Discount Decision ("X-factor Decision"), the Accounting Volume Decision, the annual tariff decisions and decisions in respect of one-off tariff increases to cover costs of significant investments. As a consequence, TenneT TSO NL's overall financial position is sensitive to regulatory decisions based on estimated data, inaccurate assumptions, defective research, efficiency and productivity goals which are too stringent or failure to acknowledge costs which TenneT TSO NL cannot avoid incurring. Furthermore, the financing risk, (see also Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme – Financing Risk above), may result in non-compliance with Dutch and German legislative and regulatory requirements with respect to the security of electricity supply and/or the obligation to connect third parties to its high-voltage grids. Such non-compliance might result in enforcement (including sanctions, such as an order subject to penalty) by the competent authorities. The following paragraphs describe some specific aspects of those risks, which are particularly relevant to the position of the Issuer.

TenneT TSO NL's level of permitted revenues includes a component based on the weighted average costs of capital ("**WACC**"). The regulatory WACC is based on historical data which precede the regulation period for which the WACC is determined. The WACC is determined by the extent to which TenneT TSO NL is financed by means of debt and shareholders' equity (gearing), the cost of debt capital and shareholders' equity, respectively, the corporation tax rate applicable and inflation. The actual values of all of these variables may deviate from the assumptions used by the Authority Consumer & Market. Thus, the regulatory

WACC may insufficiently reflect the true cost of capital which TenneT TSO NL will incur during the relevant regulation period, thereby positively or negatively impacting its profitability. For the current tariff regulation period (2011-2013), the pre-tax regulatory WACC is set at 6.0% (compared with 5.4% for the previous regulation period (2008-2010). According to the draft Method Decision that has been published on 1 May 2013 by the Authority Consumer & Market, the WACC for the next regulatory period (2014-2016) will be 3.6%. It is noted that TenneT has given its view on the draft Method Decision in writing (within the statutory set time frame of six weeks)The Authority Consumer & Market may (or may not) incorporate all or part of TenneT's views in its final decision, which is expected in the fall of 2013. TenneT has the right of appeal in relation to such final Method Decision of the Authority Consumer & Market. A material item that has an impact on the expected WACC is the decrease of the interest market rates utilized in the calculation, in particular the decline of the risk free rate.

Another risk constitutes the ex post control by the Authority Consumer & Market of investments made by TenneT TSO NL (directly or indirectly). The assessment whether and for which amount investment costs can be included in tariffs of subsequent years, takes place only after the investment becomes operational.

The Regulatory Asset Base ("**RAB**") represents the value of TenneT TSO NL's asset base according to the Authority Consumer & Market and is used to calculate CAPEX income (depreciation + WACC * RAB). TenneT TSO NL is only allowed to include its efficient CAPEX income in the revenue cap.

As a consequence, part or all of the investments made by TenneT TSO NL (directly or indirectly) may be deemed not to be efficient and consequently not permitted to be included in the revenue cap.

TenneT TSO NL is eligible to include CAPEX income from expansion investments that meet specific criteria in its tariffs on top of the allowed revenue according to the revenue cap. These investments must be necessary and efficient. The regulatory practice is such that TenneT TSO NL includes these additional allowances in its tariff proposal and the Authority Consumer & Market evaluates the total allowance. The Authority Consumer & Market has in the past excluded certain allowances. To date, the impact of these exclusions has not been material relative to the total allowances.

It is noted that as of 1 July 2011 an amendment to the Electricity Act has been in force. As of that date ex ante control is applied by the Minister of Economic Affairs with respect to the necessity of expansion investments by TenneT TSO NL; the efficiency of the investment costs continues to be evaluated ex post, by the Authority Consumer & Market.

In addition, the Authority Consumer & Market has in the Method Decisions for the current tariff regulation period (2011-2013) incorporated cost of capital as a result of delayed compensation of investment costs as a ground for recalculation of tariffs.

TenneT TSO NL will not be compensated for cost of capital related to (part of) the investment not included in the RAB. Practically, this means that the WACC is not applied to (part of) that investment. In addition, not allowing an investment to be included in the RAB means that depreciation of (part of) that investment is not acknowledged a cost TenneT TSO NL is allowed to recover.

In addition to the risk of the tariffs of TenneT TSO NL not being adequate to recover relevant costs (including cost of capital), TenneT TSO NL runs the risk its debtors not being willing or able to pay the tariffs (non-payment-risk). On 24 July 2012, the Trade and Industry Appeals Tribunal (*College van Beroep voor het Bedrijfsleven*) stated that one of TenneT TSO NL's (indirect) customers does not need to pay system service tariffs prior to 1 July 2011 (the date the Electricity Act was amended in favour of TenneT TSO NL). There is a risk that other (indirect) customers might (and some already have done so) also claim they should not have had to pay such tariffs. TenneT estimates the aggregate obligations for this matter to be approximately EUR 264 million, which has been recognized in the 2012 reported IFRS results. Further details on this matter are disclosed in note 7.15 of the consolidated financial statements 2012. However, TenneT TSO NL expects to be able to recoup such shortfall in the system service tariffs for future years.Discussions with the Authority Consumer & Market regarding such recoupment are ongoing.

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

Certification as transmission system operator

Following an amendment of the Electricity Act, which implemented the European Union's third legislative package on the internal energy market (including the third EU Electricity Directive 2009/72/EC), TenneT TSO NL – as are other transmission system operators in the EU – is obligated to apply for certification as a transmission system operator. On 20 September 2012, TenneT TSO NL filed the formal application. The Authority Consumer & Market has published its draft decision regarding the application for certification of TenneT TSO NL on 16 May 2013. In its draft decision, the Authority Consumer & Market decided that TenneT satisfies the requirements for certification as a transmission system operator ("**TSO**") for the Dutch national high voltage grid and as interconnector operator for the southern part of the NorNed cable. The draft decision will be reviewed by the European Commission. Should the European Commission provide a negative advice, this could lead to the Authority Consumer & Market denying the certification, and TenneT TSO NL will have the possibility to demonstrate within one year that the criteria for certification are met, by failure of which its designation as TSO will expire. The Issuer has received no indication that the European Commission will decide to advise negatively, or that the Authority Consumer & Market would deny certification. It is noted that the consequences of TenneT TSO NL losing its status as TSO in the Netherlands – which the Issuer in itself considers very unlikely – cannot be quantified as such but could in theory be highly material. In practice however, it is expected, in view of the grave implications of such scenario, that arrangements will be made by the legislator and/or regulator to procure that TenneT TSO NL will continue to carry out the tasks of TSO and can be re-appointed and certified as TSO as soon as possible. In addition to the one year period given to remedy any potential shortcomings, TenneT TSO NL may file objections and (if necessary) appeals against the Authority Consumer & Market's decision if the Authority Consumer & Market were to deny the certification.

German regulatory framework

The impact of the German regulatory framework in its current form on the income of TenneT TSO Germany can be described as follows.

Revenue structure and grid tariffs

In 2012, 62% of the Issuer's consolidated revenues (excluding selling electricity from renewable energy sources or from revenues resulting from balancing of cogeneration volumes) were generated by TenneT TSO Germany.

The primary sources of revenue for TenneT TSO Germany are on the one hand (regulated) grid tariffs for access to TenneT TSO Germany's transmission system in Germany and on the other hand revenues (i) from selling electricity from renewable energy sources ("**EEG-revenues**") or (ii) resulting from balancing of cogeneration volumes ("**KWKG-revenues**").

As from 2011, the EEG-revenues and KWKG-revenues are presented as net nil in the consolidated IFRS financial statement because under the current regulatory framework, the effect of EEG- and KWKG-revenues on profit is prescribed to be neutral with the exception of a bonus which is granted to the TSOs in the event that they sell EEG-energy efficiently at the energy-exchange (see *§7 Verordnung zur Weiterentwicklung des* *bundesweiten Ausgleichsmechanismus (AusglMechAV)*). Hence, TenneT TSO Germany derives net income only from its grid tariffs, which may subsequently be (partly) paid out as dividends to the Issuer. These tariffs are subject to ex ante regulation by the German regulator, the Federal Network Agency (Bundesnetzagentur, "**BNetzA**"). Hence, the German regulatory framework for grid tariffs also has a substantial effect on the interest and dividend income of the Issuer.

Regulation of grid tariffs (incentive regulation)

As of 1 January 2009, grid tariffs are subject to an incentive regulation imposing a revenue cap regime for grid operators in Germany. In this respect, TenneT TSO Germany is dependent on a series of regulatory decisions by the BNetzA, notably the determination of the revenue cap for each year of the regulatory period (currently: 2009-2013 (5 years); second regulatory period: 2014-2018), the determinations of the imputed interest rates and the individual efficiency factor applicable for the regulatory period, and the approval of applications for investment measures providing financing for certain measures, particularly of network extension, or voluntary negotiated agreements ("**VNAs**") to reflect certain cost items in the yearly revenue cap.

Therefore, TenneT TSO Germany's overall financial position is – similar to TenneT TSO NL's position – sensitive to regulatory decisions. When applying regulatory rules BnetzA has repeatedly demonstrated a balanced view and approach for specific regulated situations. Certain significant changes to the regulatory framework – such as an approach which takes in consideration planned costs for approved investment measures in the year in which they become effective ("t-0") – have been introduced by the German Federal Government and are implemented and applied by the BNetzA. However the decisions of the regulator could be based on inaccurate assumptions or very high efficiency goals.

Under the incentive regulation in Germany, the yearly revenue cap for the first regulatory period (2009 – 2013) is based on approved grid costs from the year 2006 and will be based on the grid costs of the year 2011 for the second regulatory period (2014 – 2018). The years 2006 and 2011 are hence the designated "photo years" for the respective regulatory periods. The grid costs are separated in non-influenceable and influenceable costs, where non-influenceable costs comprise permanently non-influenceable costs (*dauerhaft nicht beeinflussbare Kosten*) and temporarily non-influenceable costs (*vorübergehend nicht beeinflussbare Kosten*). In principle, influenceable costs reflect the TSO's inefficiency and have to be reduced in correspondence to the individual efficiency factor during the regulatory period. Further, influenceable as well as temporarily non-influenceable costs are adjusted by a sectoral productivity factor and consumer price index. Since TenneT TSO Germany was assessed to be 100% efficient by the regulator for the regulatory period 2009 – 2013, the yearly revenue caps for this period are only being reduced by an adjusted sectoral productivity factor of 1.25%. In the second regulatory period the sectoral productivity factor is deemed to increase to 1.5%. The individual efficiency factor for the second regulatory period is yet to be determined by the BNetzA most likely through an international benchmarking on the basis of the Data Envelopment Analysis scheme taking into consideration the grid costs of each TSO in the base year 2011. The 100% efficiency of TenneT TSO Germany results in the fact that an adjustment, if any, can only be downwards. As temporarily non-influenceable costs are determined based on the costs in a particular photo year, there is no 1:1-reimbursement for all actual costs in any given year of the regulatory period. However, TenneT TSO Germany can benefit (i.e. increase its profit) if it becomes more efficient during the regulatory period by reducing its temporarily non-influenceable costs below the approved grid costs.

Contrary to the influenceable and the temporarily non-influenceable costs, permanently non-influenceable costs of TenneT TSO Germany are neither subject to individual efficiency targets nor the sectoral productivity factor. Rather, such costs are comprehensively recognized under the revenue cap of TenneT TSO Germany. Hence, any increase or decrease of permanently non-influenceable costs will be taken into account by amending the yearly revenue cap during a regulatory period either without delay (e.g. for investment measures), or with a delay of two years (*e.g.* for system services).

The revenue cap determined by the BNetzA reflects operational and capital expenditures. In this respect, capital expenditures include – besides cost of debt – particularly imputed cost components such as imputed depreciation for the regulatory asset base as well as an imputed return on equity. If assessed as being customary to the market, by the BNetzA, actual costs of debt are fully considered in the revenue cap. For the first regulatory period, the rate of return on the equity portion (based on an "imputed equity ratio" capped at a maximum of 40%) of so-called "old assets" (activation prior to 1 January 2006) is equal to 7.56% (before corporate tax, after trade tax), whereas the rate of return on equity for "new assets" (activation on or after 1 January 2006) is fixed at 9.29% (before corporate tax, after trade tax). As the relevant regulatory asset base for the first regulatory period was determined based on the year 2006, the imputed return on equity may insufficiently reflect the costs of capital which TenneT TSO Germany will effectively incur during the first regulatory period.

For the second regulatory period (2014 through 2018), the rate of return on the equity portion (based on an "imputed equity ratio" capped at a maximum of 40%) of "old assets" is equal to 7.14% (before corporate tax, after trade tax), whereas the rate of return on equity for "new assets" is fixed at 9.05% (before corporate tax, after trade tax).

Connection of offshore wind farms

Under the previous, now repealed statutory framework TenneT TSO Germany as the responsible TSO had to establish an offshore grid connection system extending from the offshore platform to the nearest technologically and economically feasible onshore (electricity grid) connection point. Since the former statutory regime did not provide for a specific timeline for the realization, but rather only the end-date by which the offshore connection system had to be established, the BNetzA issued a legally non-binding position paper in October 2009. On the basis of this position paper, offshore wind farms ("**OWF**") had to fulfill so called grid connection criteria in order to receive a (unconditional) grid connection commitment (*Netzanbindungszusage*) from TenneT TSO Germany which would normally also state a completion date. Subsequently, the reserved capacity of the OWFs was considered by TenneT TSO Germany in tender proceedings regarding "engineering-procurement-construction (EPC) contracts" necessary for realizing the offshore grid connection systems.

On 28 December 2012, the legislator amended the Energy Industry Act (*Energiewirtschaftsgesetz* — "**EnWG**") providing for a "system change" as regards the offshore grid development. Different from the previously uncoordinated development of offshore connection systems, which was only structured in a legally non-binding way by means of the BNetzA's position paper, the amended EnWG now provides for a comprehensive offshore grid development plan. The new statutory framework further provides for a binding completion date of the offshore connection system. To that effect, TenneT TSO Germany as the responsible TSO has to publish on its website a preliminary completion date which becomes binding 30 months prior the envisaged completion.

The realization of offshore grid connections systems requires large scale investments. Capital costs and an amount of operating costs related to such investments are normally supported by the BNetzA in the form of special investment measures which TenneT TSO Germany can apply for. Such investment measures are reflected in the revenue cap without delay for a specified period of time. Furthermore, TenneT TSO Germany is entitled to pass through the approved regulatory costs resulting from the construction, operation and maintenance of the offshore grid connection lines to the other TSOs. The amounts passed through are proportional to the end consumers' share of energy consumption within the respective control areas of the TSOs. While the horizontal balancing of such offshore costs requires neither any formal ex ante approval by the regulator nor a contractual arrangement amongst the TSOs, the TSOs nevertheless agreed on a horizontal balancing agreement in 2009. In this agreement, TenneT TSO Germany and the other three onshore TSOs laid down their common understanding of the rollable offshore related costs, namely (approved) capital expenditures and operating expenses of the offshore connection systems as well as a compensation for the delay in cost reimbursement. This agreement has recently been re-negotiated to consider statutory changes in the regulatory framework (*e.g.* the t-0 effectiveness of costs under investment budgets/measures) and to allow the entry of additional "offshore TSOs". In regard to the amount of rollable costs, the revised agreement now provides for a planned cost approach for the following year, as well as a true-up (*Ist-Abgleich*) for any deviations between actual and planned costs in the year thereafter. In this respect, it is noteworthy that, pursuant to the latest statutory amendment, payments of the TSOs under the horizontal balancing scheme are recognized as permanently non-influenceable costs under their individual revenue cap.

However, uncertainties around the number, timing, size and location (*i.e.* distance from shore) of these offshore wind farms can materially alter the amount of capital expenditures to be made by TenneT TSO Germany and hence impact the ability of TenneT TSO Germany to finance itself. Furthermore, because of the previous insufficient statutory and regulatory framework as well as due to a lack of market resources necessary for the construction of offshore grid connection system, the timely realization of offshore grid connection system and, thus, the grid connection of certain OWFs are subject to delays. So far, only the grid connection system BorWin1 ("**OWF BARD Offshore I**") and the connection for the OWF alpha ventus have been commissioned. Apart from that, almost all other offshore grid connection systems which have been tendered in recent years are delayed.

As a consequence of such delays, operators and developers of OWFs which have received an unconditional grid connection commitment in the past may, in principle, pursue abuse proceedings (*Missbrauchsverfahren*) vis-à-vis the BNetzA and/or claim damages in civil court proceedings. In this context, the developers of the OWF "*Deutsche Bucht*" filed for such an abuse proceeding against TenneT TSO Germany with the BNetzA claiming that TenneT TSO Germany is in breach of its statutory obligations under the previous, now repealed statutory framework to timely connect the OWF to its grid. While the abuse proceedings were terminated as a result of a settlement agreement which included an interim connection of the OWF "*Deutsche Bucht*", the developers of the OWF "*Borkum Riffgrund I*" and the OWF "*Borkum Riffgrund II*" have also initiated abuse proceedings requesting BNetzA, in particular, to order TenneT TSO Germany to construct the grid connection and to begin grid operation by a specific point in time. The latter abuse proceedings are still pending. Furthermore, the developer of the OWF "*Borkum West II*" filed a judicial claim for damages incurred as a result of delayed realization of the respective grid connection line. Similar to the OWFs "*Deutsche Bucht*", "*Borkum Riffgrund I*" and "*Borkum Riffgrund II*", the claim is based on the alleged infringement of the previous (now repealed) statutory framework. So far, the claim is limited to a partial complaint (*Teilklage*) and an application for a formal declaration by the court that TenneT TSO Germany is required to pay compensation for all current and future damages resulting from the delay.

However, the risk of future damage claims is likely to reduce as the amended statutory framework not only provides for a "system change" as regards the offshore grid development but also implements an entirely new offshore liability regime. The new liability regime applies, in principle, to both OWFs to be connected to "new" (future) offshore grid connection systems as well as to OWFs which received an unconditional grid connection commitment by 29 August 2012 (so called "old cases"). However, there remains uncertainty whether the new statutory framework also covers OWFs where the unconditional grid connection commitment does not provide for a firm completion date (*e.g.* in case of OWFs "*Borkum Riffgrund I*" and "*Borkum Riffgrund II*"). In this respect, although the BNetzA has indicated that the question of whether the new statutory framework applies may ultimately have to be resolved by the courts, the BNetzA nevertheless takes the view that the legislator intentionally excluded such OWFs from the new statutory framework, in particular regarding compensation claims for lost feed-in remuneration. As a consequence, developers of affected OWFs might claim potential damages based on the former, now repealed statutory framework. Such claims could, in principle, include damages not only for lost feed-in remuneration, but also (unlimited) damages which allegedly result from, inter alia, adapting the contractual framework of the OWF-project to the respective delays as well as the need to (temporarily) refrain from and to refinance the OWF-project.

However, if the new liability regime applies, in case of a delay of construction or interruption of operation of an offshore connection system, developers of OWF may claim compensation amounting to 90% of the lost feed-in remuneration (*Einspeisevergütung*) from the eleventh day of the (continuous) delay or interruption onwards, as of day nineteen if several short disruptions add up to more than eighteen days during a calendar year. If the TSO acted willfully, the compensation amount would increase to 100% as of day one. In case of interruptions due to maintenance work which adds up to ten days during a calendar year, the OWF developer or operator can also request compensation as of day eleven. Any further claims by OWF developers and/or operators for pecuniary losses beyond such compensation for lost feed-in remuneration are expressly excluded under the new statutory framework. In this context, a "delay" occurs if the responsible TSO has not completed the offshore connection system at the binding date of completion and the offshore wind farm has reached the status of operational readiness (*Betriebsbereitschaft*). In this respect, it should be noted, however, that BNetzA is entitled to request the OWF developer to realize the actual operational readiness of the OWF within a reasonable time limit following the completion of the offshore grid connection system. Should the OWF developer be unable to meet that deadline, it will be obligated to reimburse the responsible TSO (TenneT TSO Germany) for the received compensation payments (with interest).

In principle, in case of compensation claims, TenneT TSO Germany is entitled to pass through compensation payments for delays or interruptions to the other TSOs. The amounts passed through are proportional to the end consumers' share of energy consumption within the respective control areas of the TSOs. Subsequently, all TSOs are entitled to refinance their share of the rollable compensation payments by directly or indirectly charging an – annually capped – liability levy to the end consumers. However, the right to pass through the compensation payments is excluded or limited (i) if the delay or interruption is caused willfully, (ii) if not all feasible and reasonable preventive or remediation measures have been taken, or (iii) to the extent the amount - when converted into an amount/kWh taking into account the overall consumption in Germany - exceeds the threshold of 0.25 cent/kWh. In the latter case the exceeding amounts (including any pre-financing costs) may, however, be included in the levy in the following years.

Moreover, if delays or interruptions are caused by any degree of negligence, the rollable compensation amount has to be reduced by a deductible amount (*Eigenanteil*) for TenneT TSO Germany. However, the applicable provisions limit such deductible amount in the event of delayed connection or unavailability during operations to EUR 17.5 million per connection per (damaging) event in case of simple negligence and to EUR 110 million per year in total, irrespective of whether (several) delays or interruptions have been caused by simple or gross negligence. Under consideration of the abovementioned various delays of offshore grid connection systems and the statutory assumption (*gesetzliche Vermutung*) that a delay has been caused by gross negligence rather than simple negligence, it cannot be excluded that the capped annual amount of EUR 110 million will be exhausted to a great extent in each of the upcoming years. To mitigate this risk, TenneT TSO Germany is looking for insurance of this remaining exposure up to an acceptable level.

Certification as a transmission system operator

Following an amendment of the EnWG which implemented the European Union's third legislative package on the internal energy market (including the third EU Electricity Directive 2009/72/EC) and entered into force on 4 August 2011, TenneT TSO Germany – as other transmission system operators – was obligated to apply for certification as a transmission system operator to the BNetzA. For certification, transmission system operators must demonstrate compliance with ownership unbundling requirements including, *inter alia*, sufficient financial capability and reliability. Based on TenneT TSO Germany's application dated 2 March 2012, the

BNetzA refused by way of formal decision of 9 November 2012 the required certification of TenneT TSO Germany. The BNetzA stated that TenneT TSO Germany did not provide sufficient evidence of the financial means necessary to meet the statutory network operation and expansion obligations particularly with regard to offshore grid investments. The decision is contrary to the EU Commission's opinion dated 6 September 2012 to the BNetzA's draft refusal decision. The EU Commission stated that evidence of financial means to meet statutory network operation and expansion obligations was, according to the third Electricity EU Directive 2009/72/EC, not a requirement for the certification of an ownership unbundled transmission system operator and withholding TenneT TSO Germany's certification could not be justified by concerns in this respect.

On 6 December 2012, TenneT TSO Germany filed an appeal (*Beschwerde*) against the BNetzA’s decision before the Higher Regional Court of Düsseldorf. On 11 February 2013, TenneT TSO Germany submitted the grounds for appeal arguing that a certification has to be granted as TenneT TSO Germany complies with statutory unbundling rules. In this respect and in line with the EU Commission, neither the European nor the German statutory unbundling requirements oblige TenneT TSO Germany in its capacity as a fully unbundled TSO to provide unlimited financial resources for the realization of offshore grid connections.

By letter dated 6 February 2013, the BNetzA initiated administrative offense proceeding (*Ordnungs-widrigkeitenverfahren*) against TenneT TSO Germany. In view of the various public announcements in this regard, the BNetzA considers this proceeding as a "logical consequence" to its decision to refuse certification. Upon reaching a formal decision, the BNetzA could impose a fine of up to EUR 1 million or up to three times the amount of additional revenue obtained as a result of the violation. TenneT TSO Germany is defending itself against the administrative offense allegation. A close of the proceeding cannot be expected before the close of the appeals procedure regarding the denial of certification, the outcome of which the administrative offense proceeding depends upon substantively. BNetzA, however, explicitly stated that TenneT TSO Germany is still obliged to operate and invest in its grid and BNetzA "has no doubts" that TenneT TSO Germany will continue to fulfill its duties and functions as grid operator. As a result, TenneT TSO Germany keeps fulfilling its tasks as grid operator. Nevertheless the non-certification could lead to reputational damage for TenneT TSO Germany.

Sharing of costs for grid fee benefits

In the year 2011, a new allocation procedure was introduced by a decision of the BNetzA as of 14 December 2011 to provide for sharing of the costs of grid fee reductions and grid fee exemptions for energy intensive industry among network operators and, ultimately, among grid customers. Due to the estimation of related costs as applied by the BNetzA during the initial phase of the allocation procedure, TenneT TSO Germany had to bear costs for pre-financing amounts of approximately EUR 60.5 million which were only eligible to be compensated under the cost sharing mechanism in the year 2014. In order to prevent such financial burdens, TenneT TSO Germany has appealed the respective decision issued by the BNetzA before the Higher Regional Court of Düsseldorf.

In its ruling dated 6 March 2013 the court annulled the normative basis for the grid fee reductions and/or exemptions (Section 19 (2) of the Ordinance on Tariffs for the Electricity Grid Access (*Stromnetzentgeltverordnung*, "**StromNEV**")). As a consequence, also the corresponding resolution implemented by the BNetzA in December 2011 was reversed. BNetzA has appealed the ruling at the Federal Court of Justice and, therefore, it has not yet become final and binding (*rechtskräftig*). Furthermore, the legislator is expected to amend the respective section of the StromNEV in the coming months. According to a first draft of the amended ordinance, the legislator plans to implement the possibility of reducing grid fees only up to 80% with no option of being exempted entirely from grid fee payments. The amended ordinance is expected to come into force with retroactive effect to 1 January 2012. Hence, for the calendar years 2012 and 2013, only the differences between the grid fee exemption under the old statutory regime and the grid fee reduction under the envisaged new regime (possibly based on new formal decisions by the regulator vis-à-vis each individual grid customer) need to be balanced. As regards the calendar year 2011, a complete rescission (*Rückabwicklung*) is likely to be necessary.

With respect to the above potential (retroactive) balancing, primarily the direct grid customers of TenneT TSO Germany which had been exempted from grid fee payments under previous statutory law constitute a risk. Taking into account the draft amendment of the respective statutory provisions, the following amounts may be subject to (retroactive) balancing: for 2011 approximately EUR 14.6 million (full reversion), for 2012 approx. EUR 3.3 million (only balancing of the difference) and for 2013 approximately EUR 1.8 million (only balancing of the difference for the first five months).

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

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

Environmental laws can impose liability without regard to whether the owner or operator had knowledge of the release of substances or caused the release.

Although the Issuer believes that none of its properties currently require immediate remediation or decontamination other than which have been provisioned for, environmental authorities may have a different opinion. Third parties may also initiate proceedings to require decontamination. Hence, one or more of the Issuer’s subsidiaries may be required to initiate a costly, extensive and time-consuming clean up at one or more of its properties, in addition to running the risk of incremental penalty payments or other penalties. Such requirements (imposed on the subsidiaries of the Issuer) could have a material adverse effect on the Issuer’s business, financial condition of the Issuer and net income.

A potential issue in both the Netherlands and Germany concerns the (possible) effects that electromagnetic fields emanating from transmission lines may have on (health of) humans in the surrounding areas of such power lines.

In the Netherlands, currently no strict legal requirements exist for electromagnetism emanating from overhead transmissions lines. However, the Dutch Minister of Infrastructure and the Environment issued a policy advice for municipalities, provinces and grid companies aiming at preventing new instances of situations where children can be subjected to long-term exposure to magnetic fields due to overhead power lines. In such new situations, the Ministry of Infrastructure and the Environment advises local governments and grid operators to establish a buffer zone near the power line that is to be kept empty of residences, schools and day-care centres. The Issuer expects that the policy on transmission lines will become more restrictive in the future and that stricter legal requirements may be imposed. An example is the general shift towards constructing transmission lines underground, which may result in significantly higher costs. This may impact the timing and amount of investments by TenneT TSO NL, could result in increased expenditures on the part of the Issuer and in potential liability risks in relation to damages claimed by affected persons.

In the Netherlands, the Dutch Minister of Economic Affairs Mr. Kamp laid down a proposal in respect of residential properties located in the direct vicinity of overhead transmission lines (the "**Proposal**") in a letter dated 16 April 2013 to the second Chamber of the Dutch Parliament. The Proposal consists of a combination of (i) a partial buyout of residential properties by the Dutch government and (ii) the construction of underground transmission lines within densely populated areas replacing the high voltage overhead transmission lines at a tension level of 110kV or 150kV. TenneT is required to perform the construction of the underground transmission lines. The total costs for this underground construction are expected to amount to approximately EUR 440 million. The Proposal requires the relevant municipalities to contribute 25 per cent. to the total costs of the underground construction. There will be a permitted tariff-increase for several decades, allowing TenneT to recoup the remaining costs, being EUR 330 million. According to the Dutch Minister of Economic Affairs, TenneT's need for additional equity capital will increase by "a maximum of EUR 100 million" as a result of the Proposal. The construction of the underground transmission lines will need to be completed within 15 years. The first capital expenditures will take place in 2017. The proposed time frame is expected to enable TenneT to timely raise funds for this project.

In Germany, on federal level an ordinance is in place establishing certain thresholds of acceptable electromagnetism caused by transmission lines (26th Ordinance on Electromagnetic Fields Emissions, *26. Bundes-Immissionsschutzverordnung*). Accordingly, the Federal Ministry of the Environment, Nature Conservation and Nuclear Safety *(Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit*) is constantly exploring the potential effects of electromagnetic fields on humans. Most recently, plans by the ministry to tighten the thresholds of acceptable electromagnetism have been discussed in the context of grid extensions. As a consequence, the legal environment (applying to new and extended as well as to existing parts of the grid) may become more restrictive in the future, which could result in increased expenditures on the part of TenneT TSO Germany and potential liability risks in relation to damages claimed by affected persons.

With regard to TenneT TSO Germany, there is a potential risk of soil contamination at electricity towers and substations in Germany caused by corrosion protection coatings containing heavy metals, in particular lead. TenneT TSO Germany has contacted the competent state authorities in order to develop and implement methods for the investigation of such potential soil contamination at the respective sites. The financial risk for the Issuer has been mitigated by an indemnity clause in the share purchase agreement with the seller of TenneT TSO Germany, E.ON AG (specifically in relation to environmental matters and subject to certain exclusions/limitations of the seller's liability).

Lack or loss of highly qualified staff

The Issuer’s subsidiaries experience increasing difficulties in finding, attracting and retaining highly qualified technical staff required to support their operations. A lack or loss of highly qualified staff may result in insufficient expertise and knowhow and may result in unsatisfactory quality levels in the inability to complete infrastructure projects on time or in failing to meet strategic objectives, which could have a material adverse effect on the Issuer’s business, financial condition and net income.

Grid Performance / risk of blackouts

Due to more intensive grid usage and increased infeed from renewable energy combined with the condition of the grid, there is an increased risk of more interruptions / incidents on TenneT's grid. TenneT manages this risk by increasing the speed of replacements and investments in its current network, combined with improved IT systems to steer the network. Furthermore, a terrorist attack might cause a blackout. TenneT manages the risk of a terrorist attack mainly by improving its security measures in relation to its critical stations. To the extent that TenneT fails to manage such risks, the occurrence of such risks could have a material adverse effect on the Issuer’s business, financial condition and net income.

No (full) insurance for certain high impact events

The Issuer is not (fully) insured in a case of certain high impact events (such as material damage to overhead lines, third-party losses or damage or black-out claims in excess of the insurance coverage) due to the absence of relevant insurance markets or the considerable costs involved with insuring these risks.

Any uninsured financial compensation payable by the Issuer as a result of the occurrence of an uninsured high impact event, could have a material adverse effect on Issuer's financial condition and net income.

For example, any disruption and/or outage of TenneT's grid infrastructure, whether due to defaults or due to natural disasters, will adversely affect TenneT's ability to fulfil its obligations towards its customers and may, under certain conditions, result in TenneT being obliged to provide its customers or any other affected parties with substantial financial compensation of any kind, which compensation may not or only partially be covered by insurance arrangements.

Reputational damage

TenneT has a public function. Therefore there is an increased risk of reputational damage for the company. Part of the investment programme of TenneT is related to the development of the onshore grid. In case of any resistance from residents living closely to newly built onshore lines, investments can be delayed, which could also affect the future grid performance. Incidents or interruptions on the grid will also have negative effects on TenneT's reputation. As a result, the manifestation of such events could have a material adverse effect on the Issuer's business, financial condition and net income.

Retirement benefits

TenneT TSO Germany is at risk from potential shortfalls in the funding of its retirement scheme. The liability of this scheme reflects TenneT TSO Germany's best estimate of life expectancy, inflation, discount rates and salary growth, all of which may change. Funding of this scheme is through investments in equities, bonds and other assets, which have values which can be volatile. Changes in the value of the assets and liabilities of these schemes and therefore their funding status may require additional funding from TenneT TSO Germany and may adversely impact TenneT Group's financial condition.

Risks relating to structure of the Issuer

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

The Issuer is a holding company with no material, direct business operations. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Issuer is dependent on loans, interest, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of dividends to its shareholder and the payment of interest and principal to its creditors, including the Noteholders. The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. As an equity investor in its subsidiaries, the Issuer's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Issuer is recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any security interest in or other lien on their assets and to any of their debt or other obligations that are senior to the Issuer's claims.

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

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

Due to the above-described legal framework, the ability of the Issuer to upstream cash from TenneT TSO Germany in order to meet its obligations under the Notes is restricted.

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

The Issuer is controlled by the State of The Netherlands (the "**State**"), being the sole holder of the shares in the share capital of the Issuer as well as the relevant policy maker and legislator. Through its role as sole shareholder, policymaker and legislator the State has a strong influence on the Issuer's operations, which depending on the circumstances may positively or negatively influence the Issuer's business, financial condition and net income. So far, the State has demonstrated flexibility with respect to the Issuer's dividend policy. In addition, it has a strong interest in maintaining a healthy profile for the Issuer and has agreed to lower dividends when deemed appropriate.

The Dutch government has announced the possibility of a minority privatisation of the Issuer, but no concrete steps have been taken yet. In his letter dated 18 March 2013 to the second Chamber of the Dutch Parliament, Finance Minister Dijsselbloem stated that there is an ongoing dialogue between him and the Issuer regarding the Issuer's capital requirements and that one of the options is to allow minority privatisation, which would enable the Issuer to attract additional equity. Mr. Dijsselbloem stated that the Dutch government will decide around the summer of 2013 how (access to) additional equity capital will be made available, such that the necessary investments in the Dutch transmission network can be made in a timely fashion. If a privatisation were to take place (e.g. by way of an initial public offering, a private placement or partial sale of shares in the Issuer) the State would be expected to retain a majority of the voting shares and hence to continue to control the Issuer. However, under Dutch law, a majority shareholder exercising its voting rights has, to a certain extent take into consideration, the interests of other shareholders. It is noted that the business of the Issuer is regulated by the European Union's third package on the internal energy market (including the third EU Electricity Directive 2009/72/EC) and the Electricity Act (as amended to implement the aforesaid Electricity Directive 2009/72/EC).

Risks resulting from joint ventures and collaborations

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

Risks resulting from the sale of interests in OWF Connections

TenneT Offshore has carved out and intends in the future to carve out several interconnections between OWFs and the electricity transmission network in mainland Germany ("**OWF Connections**") into newly incorporated entities with the intention to sell interests in the OWF Connections to third parties. In December 2012, Mitsubishi Corporation acquired a 49% voting interest in two OWF Connections and on 4 April 2013 a

49% voting interest in two further OWF Connections. After such sale having become effective, the Issuer will not have full control over such project entities and therefore cannot ensure that all decisions taken within such joint ventures and collaborations are fully compatible with the Issuer's interests. This may result in a deadlock situation and an inability to distribute profits or make further necessary investments. In some cases, the Issuer may receive less information on the business activities of these companies than it would on one of its wholly-owned TenneT Group companies. Decisions made and actions taken may result in lower revenues or a lower profit margin concerning these collaborations, which could have a material adverse effect on the Issuer's business, financial condition and net income.

Operational, technical and realisation risk

The Issuer faces a substantial investment programme in the coming years. The level, complexity and innovative character of these investment projects are an operational risk, Furthermore, the development of several large projects simultaneously in the hostile (North Sea) environment whereby introducing new combinations of existing technology in, inter alia, platform design, construction and installation of offshore HVDC (High Voltage Direct Current) converter stations increases the realisation risks for those projects. Accordingly, should such risks occur, these may result in increased costs, which may result in curtailment or suspension of the Issuer's related operations. As a result, the manifestation of such risks could have a material adverse effect on the Issuer's business, financial condition and net income.

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

Notes may not be a suitable investment for all investors

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement or Final Terms;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

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

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

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

The Issuer's obligations under Subordinated Notes are subordinated

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

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

The New Global Note form and the Registered Notes held under the NSS have been introduced to allow for the possibility of debt instruments being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all items during their life.

However in any particular case such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time. Investors should make their own assessment as to whether the Notes meet such Eurosystem eligibility criteria.

Bearer Notes where denominations involve integral multiples

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

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

Risks related to Notes generally

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

Modification and waivers

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

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

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the given of such consent/instruction and prior to effecting such resolution;

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

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

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

Legal investment considerations may restrict certain investments

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

OVERVIEW OF THE PROGRAMME

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

Issuer:	TenneT Holding B.V.
Description:	Euro Medium Term Note Programme
Size:	Up to €8,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	ING Bank N.V.
Dealers:	Barclays Bank PLC, BNP Paribas, ING Bank N.V. and The Royal Bank of Scotland plc The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon, London Branch
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "Final Terms").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as

	defined in "Overview of the Programme – Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes) and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the issue date of the first Tranche of the relevant Series), as published by the International Swaps and Derivatives Association, Inc. or (ii) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes:	Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer and Subordinated Notes will constitute subordinated obligations of the Issuer all as described in "Terms and Conditions of the Notes – Status".
Negative Pledge:	Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Negative Pledge".
Cross Default:	Applicable to Senior Notes only. See "Terms and Conditions of the Notes – Events of Default".

Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "Overview of the Programme – Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Netherlands, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions (including the ICMA Standard EU Tax exemption Tax Language), pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "Terms and Conditions of the Notes – Taxation".
Governing Law:	Dutch law.
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme on Euronext Amsterdam. Application may be made to other exchanges for Notes issued under the Programme to be listed on such other exchanges. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Redenomination, Renominalisation and/or Consolidation	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions:	The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, The Netherlands, Japan and Switzerland. See "Subscription and Sale". The Issuer is Category 1 for the purposes of Regulation S under the Securities Act, as amended. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "C Rules") or (ii) the

Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

SUPPLEMENTARY PROSPECTUS

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

1. TenneT 2011 Annual Report (English version):
    - consolidated annual financial statements (page 58-64)
    - notes (page 65-149)
    - Independent auditor's report (page 166-167)

2. TenneT 2012 Annual Report (English version):
    - consolidated annual financial statements (page 76-81)
    - notes (page 82-149)
    - Independent auditor's report (page 160-161)

The parts of the above-mentioned reports which are not incorporated by reference into this Prospectus are either not relevant for the investor or are covered elsewhere in this Prospectus.

It is noted that with respect to the preparation of the financial statements for the year 2012, the Issuer reconsidered its accounting policy in respect to its regulated activities. For more details, please refer to paragraph 3.3 'Changes in accounting policies' on page 101-104 of the Integrated TenneT 2012 Annual Report.

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

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are issued pursuant to an amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 11 July 2013 between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent, The Bank of New York Mellon (Luxembourg) S.A. as registrar and the other agents named in it. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

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

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown hereon.

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

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

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

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

2 No Exchanges of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

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

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

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

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

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

3 Status

(a) **Status of Senior Notes:** The Senior Notes (being those Notes that specify their status as Senior) and the Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

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

4 Negative Pledge

So long as any Senior Note or Coupon remains outstanding the Issuer will not, and will ensure that none of its Material Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer shall, in the case of the granting of the security, before or at the same time, and in any other case, promptly, procure that all amounts payable under the Senior Notes are secured equally and rateably or that such other security or other arrangement is provided as shall be approved by an Extraordinary Resolution of the Senior Noteholders.

In these Conditions:

(i) "**Relevant Indebtedness**" means any indebtedness which is in the form of publicly issued securities including, *inter alia*, bonds, notes or debentures, which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

(ii) "**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer; and

(iii) "**Material Subsidiary**" means, at any time, any Subsidiary of the Issuer whose net turnover (consolidated in the case of a company which itself has Subsidiaries) represents not less than 25 per cent. of the consolidated total net turnover of the Issuer and its Subsidiaries taken as a whole, as calculated by reference to the then most recent financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then most recent consolidated financial statements of the Issuer and its Subsidiaries taken as a whole, provided that if a Subsidiary has been acquired since the date as at which the then most recent consolidated financial statements of the Issuer and its Subsidiaries taken as a whole were prepared, the financial statements shall be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by a director of the Issuer as representing an accurate reflection of the revised net turnover of the Issuer and its Subsidiaries taken as a whole); and

(iv) "**outstanding**" means, in relation to the Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid to the Fiscal Agent as provided in the Agency Agreement and remain available for payment against presentation and surrender of Notes, Certificates and/or Coupons, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in the Conditions, (e) those mutilated or defaced Bearer Notes that have been surrendered in exchange for replacement Notes, (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Bearer Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued, (g) any temporary global Note to the extent that it shall have been exchanged for a permanent global Note and any global Note to the extent that it shall have been exchanged for one or more definitive Notes, in either case pursuant to its provisions; provided that, for the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) the determination of how many Notes are outstanding for the purposes of Conditions 10 and 11 and Schedule 3 to the Agency Agreement, those Notes that are beneficially held by, or are held on behalf of, the Issuer, or any of its Subsidiaries and not cancelled shall (unless and until ceasing to be so held) be deemed not to be outstanding. Save for the purposes of the proviso herein, in the case of any Notes represented by a new global Note, the Fiscal Agent shall rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of each new global Note; and

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

5 Interest and other Calculations

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

(b) Interest on Floating Rate Notes:

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

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

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

(A) ISDA Determination for Floating Rate Notes

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

(x) the Floating Rate Option is as specified hereon

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

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

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

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

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(1)).

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

(e) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the

Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph

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

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country (or countries) of such currency.

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

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

(h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

1. in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
2. in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**") and/or
3. in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

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

1. if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
2. if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365
3. if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
4. if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360
5. if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

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

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

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

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

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

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

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

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

8. if "**Actual/Actual-ICMA**" is specified hereon,

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

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

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

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

   where:

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

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

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

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

"**Interest Amount**" means:

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

2. in respect of any other period, the amount of interest payable per Calculation Amount for that period

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

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

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

"**Interest Period Date**" means each Interest Payment Date

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

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

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

"**Reference Rate**" means the rate specified as such hereon

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

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

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

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

6 Redemption, Purchase and Options

(a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount).

(b) **Early Redemption:**

1. *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

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

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

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

2. *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (1) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two managing directors (*bestuurders*) or other duly authorised representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

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

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

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

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

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

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

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

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

To exercise the Change of Control Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Change of Control Put Notice obtainable from the Registrar or any Transfer Agent within the Change of Control Put Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank (as defined below) and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

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

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6(f), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control

Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

(g) **Purchases:** The Issuer and its subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

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

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 7(f)(5)) or Coupons (in the case of interest, save as specified in Condition 7(f)(5)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

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

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

(d) **Payments Subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

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

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

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

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

1. Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 5 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

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

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

4. Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any

unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

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

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

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

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

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

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Netherlands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

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

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

(c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or

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

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

9 Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within five years from the date on which such payment first became due.

10 Events of Default

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

(a) **Subordinated Notes:** In the case of the Subordinated Notes:

1. **Non-Payment:** default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Notes or

2. **Insolvency:** suspension of payments (*surseance van betaling*) or bankruptcy (*faillissement*) proceedings are initiated or applied for by the Issuer, any of its Material Subsidiaries or by a third party in respect of the Issuer or any of its Material Subsidiaries, and, in the case of a third party application, not discharged within 60 days, or the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts under any applicable law, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in

respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries, or any such measures are officially decreed, under any applicable law.

(b) **Senior Notes:** In the case of Senior Notes:

1. **Non-Payment**: default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Notes or

2. **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder or

3. **Cross-Default**: (A) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (3) have occurred equals or exceeds €50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the euro as quoted by any leading bank on the day on which this paragraph operates), unless the Issuer or such Material Subsidiary is contesting in good faith before a competent court that such indebtedness, guarantee or indemnity amount, as the case may be, is due in which case such default will only become effective (subject to the following proviso) when such court has set out a definitive ruling that such indebtedness, guarantee or indemnity amount, as the case may be, is due provided that, in any event, such default shall become effective six months after a notice is given to the Issuer by a holder of a Note that such Note is repayable pursuant to this Condition 10 or

4. **Enforcement Proceedings**: an *executoriaal beslag* (executory attachment) or a *conservatoir beslag* (interlocutory attachment) is made, or an other attachment, distress, execution or other legal process under any law is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not cancelled, withdrawn, discharged or stayed within 30 days or

5. **Insolvency**: suspension of payments (*surseance van betaling*) or bankruptcy (*faillissement*) proceedings are initiated or applied for by the Issuer, any of its Material Subsidiaries or by a third party in respect of the Issuer or any of its Material Subsidiaries, and, in the case of a third party application, not discharged within 60 days, or the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts under any applicable law, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries, or any such measures are officially decreed, under any applicable law or

6. **Winding-up or cession of business**: an order is made or an effective resolution passed for the winding-up, administration, dissolution or liquidation (*ontbinding, vereffening*) of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or threaten to ceases to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, demerger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (ii) in the case of a Material Subsidiary, under a solvent winding-up pursuant to a shareholders' resolution whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in, and its liabilities are assumed by, the Issuer or another of its Material Subsidiaries or

7. **Authorisation and Consents**: the failure of any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of the Netherlands is not taken, fulfilled or done where such failure would result in a material adverse effect on the ability of the Issuer to perform its obligations under the Notes or

8. **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

11 Meeting of Noteholders and Modifications

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

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

12 Replacement of Notes, Certificates, Coupons and Talons

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

13 Further Issues

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

14 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in the Netherlands (which is expected to be *Het Financieele Dagblad*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15 Currency Indemnity

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

16 Governing Law and Jurisdiction

(a) **Governing Law:** The Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Dutch law.

(b) **Jurisdiction:** The District Court of Amsterdam and its appellate courts are to have (non-exclusive) jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. This submission is made for the benefit of each of the holders of the Notes, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

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

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

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

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

2 Relationship of Accountholders with Clearing Systems

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

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

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

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

3.2 Permanent Global Notes

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

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

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

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

3.3 Permanent Global Certificates

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

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

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the consent of the Issuer,

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

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.5 Delivery of Notes

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

3.6 Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

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

4.1 Payments and Record Date

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

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

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of five years from the date the relevant payment first became due.

4.3 Meetings

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

4.4 Cancellation

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

4.5 Purchase

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

4.6 Issuer's Option

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

4.7 Noteholders' Options

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

4.8 NGN nominal amount

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

4.9 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of direct rights set out in the Global Note to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

5 Electronic Consent and Written Resolution

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

(a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding (an "Electronic Consent" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Note or Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

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

BUSINESS DESCRIPTION OF ISSUER

Introduction

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

Objects

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

> "2.1. The objectives of the company are to, directly or indirectly, participate in or to take an interest in any other way in, and to conduct the management of other business enterprises with objects as described in this paragraph and paragraph 2 of this article or objects which are similar or related thereto, furthermore to finance third parties and to provide security or undertake the obligations of third parties in any way, as well as to do everything that is in conformance with the provisions of this article or related or conducive thereto in the broadest sense.
>
> 2.2. The objects of the other business enterprises mentioned in paragraph 1 of this article may include:
>
> (a) to provide for the transport and dispatch of electrical energy;
>
> (b) to install, operate, manage and/or maintain networks intended for the transport of electricity, including connections that cross national borders as well as to measure the electrical energy supplied to and/or withdrawn from these networks;
>
> (c) to render system services and other services for the electricity supply in the Netherlands;
>
> (d) to conduct operations and/or to promote market forces in the area of energy and the environment, including but not limited to operating exchanges and other trading and market places, registering and issuing rights and certificates and issuing subsidies and other payments;
>
> (e) to lease, to allow third parties to use or to make available in any other way facilities, goods and/or rights, including networks connected by optical fibre cables and telecommunication equipment and areas belonging to masts and buildings;
>
> (f) to conduct operations related or connected to the above objects as well as to perform all other tasks charged to the company in or pursuant to any statutory scheme or designation from competent authorities; and as well as to do everything that is in conformance with the above objects or related or conducive to the above objects in the broadest sense.
>
> 2.3. The company may not furnish any security, give any price guarantees, otherwise warrant performance by third parties or bind itself jointly and severally or otherwise next to or on behalf of third parties for the purpose of the subscription for or acquisition of by third parties of shares in the company's share capital or of depositary receipts for these shares."

The Issuer is currently in the process of preparing an amendment of its articles of association, amongst others to bring them in line with the mitigated large company regime in the Netherlands and certain other recent changes in Dutch company law (see also "*Corporate Governance*" below). The object of the Issuer, however, will remain materially unchanged. The exact timing of the amendment of the articles of association has not yet been determined.

Capitalisation and Group Structure

The authorised share capital of the Issuer is €500,000,000, comprising of one million registered shares with a par value of €500 each. A total of two hundred thousand registered shares have been issued, all of which are fully paid. In addition, the Issuer has received an additional equity capital contribution of €600,000,000 from its sole shareholder, the State, which was paid in two tranches of €300,000,000 each in December 2011 and June 2012.

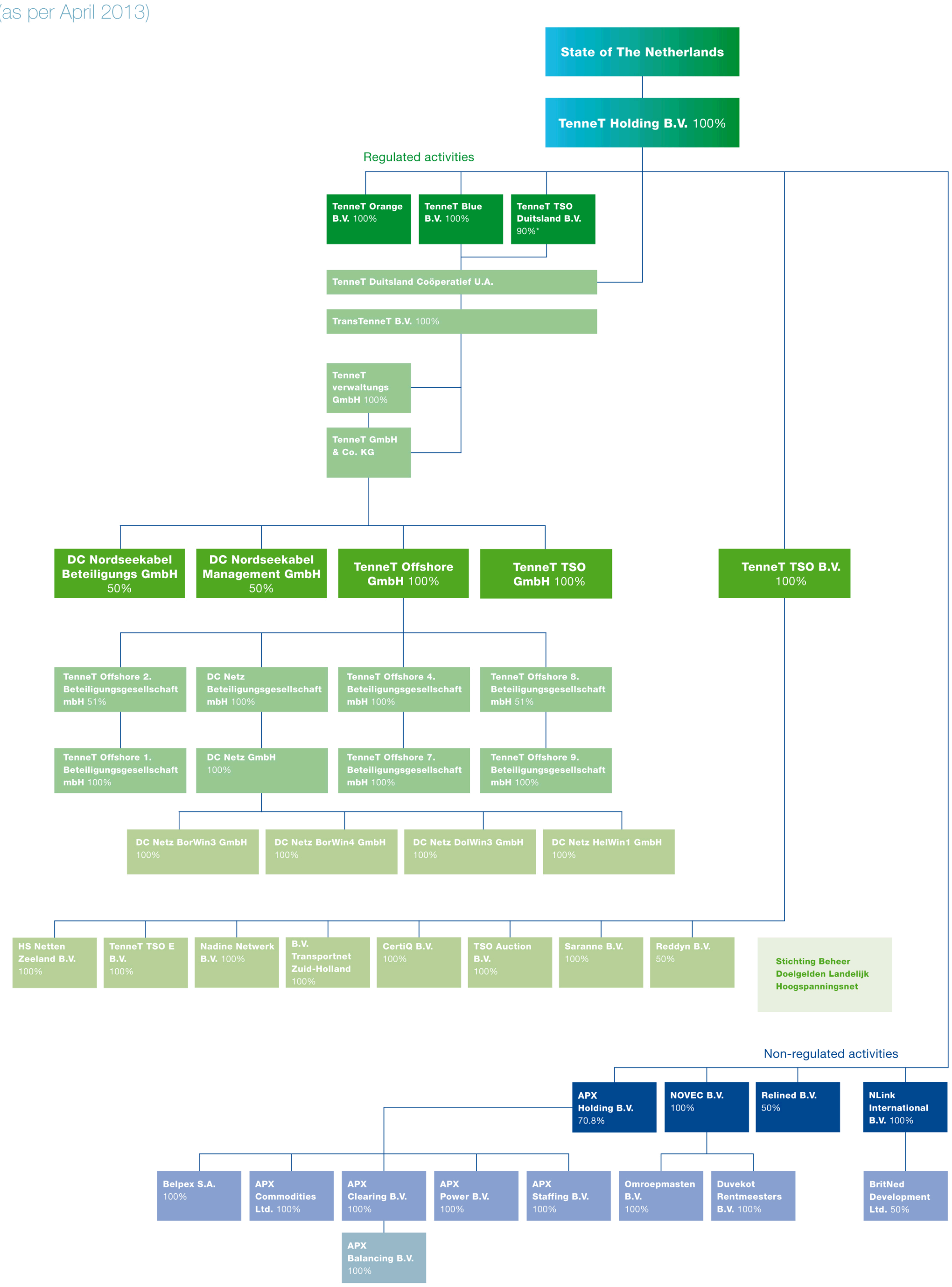
The Issuer's sole shareholder, the State, is represented by the Ministry of Finance (as opposed to the Ministry of Economic Affairs of the Netherlands in its capacity as legislator (see "*Business Description of the Issuer, History*" below)). According to the Policy on Government Participations ("*Nota Deelnemingenbeleid Rijksoverheid*") the State has the following view on its shareholding in the Issuer: "Given the strong public character of the participations which are still in portfolio and the fact that safeguarding of these public interests through only laws and regulations is being regarded as too rigid, disposal of these participations is not likely. This does not mean that future disposals of interests in certain participations can be ruled out in advance. Privatisation remains an option if it appears that the shareholding by the State has no or little added value within the framework of safeguarding the public interests" (*translation of the original Dutch text*). Moreover it must be sufficiently clear that the continuity of the service would not be jeopardised through private shareholding, and that private shareholding has added value for the relevant enterprise and the quality of the activities which it employs. However, the argument by itself that private shareholders have a general interest in economically more efficient management, is not sufficient reason to sell. This new policy with respect to the current portfolio of State participations can be summarised as: "public, unless". The Dutch government has announced the possibility of a minority privatisation of the Issuer, but no concrete steps have been taken yet. In his letter dated 18 March 2013 to the second Chamber of the Dutch Parliament, Finance Minister Dijsselbloem stated that there is an ongoing dialogue between him and the Issuer regarding the Issuer's capital requirements and that one of the options is to allow minority privatisation, which would enable TenneT to attract additional equity. Mr. Dijsselbloem stated that the Dutch government will decide around the summer of 2013 how (access to) additional equity capital will be made available, such that the necessary investments in the Dutch transmission network can be made in a timely fashion. If a privatisation were to take place (e.g. by way of an initial public offering, a private placement or partial sale of shares in the Issuer) the State would be expected to retain a majority of the voting shares and hence to continue to control the Issuer. It is noted that the business of the Issuer is regulated by the European Union's third package on the internal energy market (including the third EU Electricity Directive 2009/72/EC) and the Electricity Act (as amended to implement the aforesaid Electricity Directive 2009/72/EC).

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

The legal structure of the TenneT Group as per April 2013 is as set out on the following page (minority participations are not included in the following organisation chart):

TenneT Group legal overview

(as per April 2013)



* 10% Stichting Beheer Doelgelden Landelijk Hoogspanningsnet

History and development of the Issuer

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

Dutch electricity market

The Dutch electricity market is regulated by the Electricity Act. Many provisions of the Electricity Act are detailed in subordinate legislation laid down by the Crown, the Minister of Economic Affairs and the Authority Consumer & Market.

At 1 April 2013, the Dutch Competition Authority merged into the Authority Consumer & Market, which also took over the regulatory tasks and duties previously performed by the Energy Chamber. The Energy Chamber was introduced by the Electricity Act as a market regulator. It was a directorate of the Dutch Competition Authority. The Authority Consumer & Market has comprehensive *ex ante* and *ex post* regulatory powers, which include the adoption of binding conditions and tariffs for third party network access. Under the Electricity Act, production and supply activities on the one hand and network operation activities on the other may not be integrated in one legal entity. When the Electricity Act was implemented in 1998, the production companies and the distribution companies had to transfer the operation and management of the electricity networks they owned to separate limited liability companies. These separate limited liability companies have to operate independently and provide non-discriminatory network access against regulated tariffs and conditions. As of 1 January 2011, the network companies have to be fully unbundled from energy (including electricity) production, trading and supply companies. It is noted that, in June 2010, the Dutch Court of Appeal ruled that the Act of 23 November 2006 on independent network management (*Wet onafhankelijk netbeheer*) that obliges energy companies to unbundle its network companies is contrary to European law. The State of the Netherlands has appealed to the Dutch Supreme Court. In February 2012, the Dutch Supreme Court issued an interlocutory decision, in which it referred the case for a preliminary ruling to the Court of Justice of the European Union. A preliminary ruling is expected within two years, whereupon the Dutch Supreme Court will rule on the appeals of the State of the Netherlands. TenneT TSO NL and its predecessors have been fully unbundled since they started operations under the Electricity Act. Although the Electricity Act does not define any public service obligations per se, they have been implemented materially in all aspects. Electricity network operators must operate, maintain and develop their installations in an efficient, safe, reliable and environmental friendly manner.

The Dutch electricity network is laid out in a "cascade" of tension levels. The national transmission network (extra high voltage) is operated at 220kV or 380kV. Transportation networks (high voltage) are operated at a tension level of 110kV or 150kV. Distribution networks are operated at levels of up to 50kV.

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

TenneT TSO NL's tasks can be distinguished in system operation tasks, aimed at maintaining the balance of the Dutch electricity system and contributing to the maintenance of the balance of connected systems in Europe, on the one hand, and the task to provide non-discriminatory access to its networks on the basis of civil law contracts subject to published tariffs and conditions adopted by the Authority Consumer & Market, on the other. It has the latter task in common with the regional network operators in respect of their respective grids. Some of the tasks imposed on TenneT TSO NL are described in more detail in "*Description of the Issuer—Business— Dutch Regulated business*" below.

Capacity shortages affecting the National HV Grid have occurred in various parts of the Netherlands. Large scale network expansion projects, which are currently underway, aim at relieving the situation. If network capacity falls short, a network operator, such as TenneT TSO NL must use a congestion management mechanism to manage the scarce capacity. TenneT TSO NL's central position in the electricity supply system places TenneT TSO NL in a unique position to provide electricity market-related data to regulatory authorities, notably the Minister of Economic Affairs and the Authority Consumer & Market. The Electricity Act imposes various obligations upon TenneT TSO NL in this regard.

The third Electricity EU Directive (2009/72/EC) requires that a transmission system operator is certified by the national regulatory authority before it is approved and designated as transmission system operator. In this regard, a certification procedure needs to be established in order to ensure (continuing) compliance with unbundling requirements. Any planned transaction or change in rights or influence over transmission system operator is also subject to this certification procedure. The implementation of the third Electricity EU Directive (2009/72/EC) in Dutch legislation took place on 20 July 2012. Therefore TenneT TSO NL is subject to this new certification procedure in order to be re-appointed as a TSO and is required to file for the application within two months after the entry into force of the Dutch legislation. On 20 September 2012, TenneT TSO NL filed the formal application. The application process is however still pending. The Authority Consumer & Market has published its draft decision regarding the application for certification of TenneT TSO NL on 16 May 2013. The draft decision will be reviewed by the European Commission.

German Electricity Market

The German electricity market is governed by numerous acts and ordinances which are subject to constant modifications and amendments. The main pieces of legislation are the EnWG, which entered into force on 13 July 2005, and several ordinances, notably the Ordinance on Access to the Electricity Supply Grid (*Stromnetzzugangsverordnung*, "**StromNZV**"), the Ordinance on Tariffs for the Electricity Grid Access (*Stromnetzentgeltverordnung*, "**StromNEV**") and – as of 1 January 2009 – the Ordinance on Incentive Regulation (*Anreizregulierungsverordnung*, "**ARegV**").

In 2005, the EnWG created the establishment of the BNetzA as market regulator which is exclusively competent vis-à-vis TenneT TSO Germany and the other three German electricity transmission system operators. The BNetzA's regulatory task covers ensuring non-discriminatory grid access, control of the grid access tariffs, safeguarding against anti-competitive practices by grid operators and monitoring of the implementation of the regulatory regime.

Similar to the Dutch system, German electricity grid operators have to be unbundled from other business operations of a vertically integrated energy utility. In order to guarantee a transparent, non-discriminatory operation of the electricity grid, the EnWG not only provides for separate accounting but also for a legal, operational and informational unbundling. In addition, based on the European Union's third legislative energy law package (including the third Electricity EU Directive 2009/72/EC), the amendments to the EnWG adopted in August 2011 introduced stricter ownership unbundling rules for nationwide gas and electricity transmission system operators which are or have been part of vertically integrated energy utilities.

Similar to TenneT TSO NL, TenneT TSO Germany is under a general obligation to operate a safe, reliable and efficient transmission grid on a non-discriminatory basis. Furthermore, TenneT TSO Germany is required to maintain, develop and optimise its grid meeting the demands (*bedarfsgerechter Ausbau*) to the extent this is economically reasonable and to provide, *inter alia*, for system services, connections of new power plants and generation facilities relying on renewable energies or cogeneration to its grid. Moreover, based on the recently amended EnWG, transmission system operators are now under an obligation to issue a yearly network development plan which contains, *inter alia*, large investment commitments for the upcoming three years.

The extra high voltage grid in Germany is operated by four independent transmission system operators which have interconnected their 380 kV and 220 kV transmission systems through national interconnected lines to form the German interconnected system (*Verbundnetz*). The four German transmission systems are operated by TenneT TSO Germany (formerly: E.ON Netz GmbH), Amprion GmbH (formerly: RWE Transportnetz Strom GmbH), 50Hertz Transmission GmbH (formerly: Vattenfall Europe Transmission GmbH), and TransnetBW GmbH (formerly: EnBW Transportnetze AG). The systems of the four German interconnected transmission system operators together with parts of Denmark, Luxembourg and Austria form the "German control block". TenneT TSO Germany is not active in any downstream (distribution) grid operations.

Similar to TenneT TSO NL's tasks, TenneT TSO Germany also is required to maintain the balance of its part of the German transmission system and thereby contribute to the balancing of the interconnected systems in Europe. In addition, TenneT TSO Germany is required to grant third party access to its transmission grid on an economically reasonable, non-discriminatory and transparent basis. The respective tariffs for such access are subject to the ex ante regulation under the incentive regulation scheme providing for a yearly revenue cap (similar to the statutory obligation of TenneT TSO NL, see "*Impact of Dutch and German regulatory frameworks on revenue, profits and financial position of the Issuer*" above). Further, TenneT TSO Germany is required to grant grid connection to grid users such as large industrial customers and power plants on a non-discriminatory basis. This includes the obligation to construct and operate offshore grid connection lines necessary to connect offshore wind farms in the North Sea to the onshore electricity grid system.

Continuous investments in the (expansion of the) grid infrastructure as well as network-related or market-related measures are employed to avoid potential or to counter existing congestions in the transmission grid. As required by statutory law under the EnWG and in view of the long-term green energy targets set by the German Federal Government, TenneT TSO Germany recently presented, together with the other three German transmission grid operators (50Hertz Transmission GmbH, Amprion GmbH and TransnetBW GmbH), their first joint network development plan in 2012 to the German legislature. The network development plan must include all measures required for an optimisation, reinforcement and expansion of the transmission grid necessary to meet transmission demands for the next ten years, taking into consideration the long-term renewable energy targets set by the German Federal Government. The transmission grid operators must submit an updated network development plan to the BNetzA every year which, following a consultation process needs to be approved by the BNetzA. It will provide a basis for a federal demand plan (*Bundesbedarfsplan*), which will be adopted by the Federal legislator at least every three years or in case of significant changes in the annual network development plan and which shall be binding for the transmission grid operators. According to the transmission grid operators' current draft network development plan, onshore transmission grids in Germany will need to undergo considerable expansion in order to facilitate the German renewable energy transition (*Energiewende*) and the further development of a European electricity market. Besides optimisation and upgrading of 4,400 kilometres of existing lines, the grid operators also anticipate that a total of 3,800 kilometres of new transmission lines will need to be constructed over the next ten years. These new transmission lines will include both alternating-current and direct-current connections.

On 28 December 2012, the legislator amended the EnWG providing for a "system change" regarding the offshore grid development. Different from the previously uncoordinated development of offshore connection systems, which was only structured in a legally non-binding way by means of the BNetzA's position paper, the amended EnWG now provides for a comprehensive offshore grid development plan. The offshore grid development plan takes into account the federal offshore plan (*Bundesfachplan Offshore*) issued by the Bundesamt für Seeschifffahrt und Hydrographie ("**BSH**"). The BSH has published the respective federal offshore plan 2012 on 22 February 2013. The offshore grid development plan is aimed at a more coordinated and harmonized planning of, but also an improved control of investments into, the expansion of the German offshore transmission grid. On 3 March 2013, the German electricity TSOs have submitted to the BNetzA the first draft of the offshore grid development plan for review. It provides, inter alia, for the envisaged completion date of the envisaged offshore grid connection systems, their connection points and their dimensions. As outlined before, the construction of grid connections to offshore wind farms will demand extensive financial investment by TenneT TSO Germany. For such investment, the transmission system operator can apply for so-called "investment measures", which allow, upon approval by the BNetzA, that the capital costs and part of the operational costs associated with the investment are reflected in the above described revenue cap for a specified period of time without a delay.

Following the amendments to the EnWG in 2011, a special certification procedure for transmission system operators was established in order to ensure compliance with ownership unbundling requirements. However, TenneT TSO Germany's application was refused by the BNetzA on 9 November 2012. TenneT TSO Germany has appealed the refusal decision before the Higher Regional Court of Düsseldorf (for details regarding certification see *"Risk Factors – Dutch regulatory framework - Certification as a transmission system operator"* and *"Risk Factors – German regulatory framework - Certification as a transmission system operator"*).

History of the Issuer

Under the Electricity Act 1989 (*Elektriciteitswet 1989*), the operation and maintenance of the electricity transmission system in the Netherlands was based on a systemic cooperation between four vertically integrated electricity companies, owned by provinces and municipalities. The embodiment of this cooperation was N.V. Samenwerkende Elektriciteits-productiebedrijven ("**Sep**"). The four electricity companies were N.V. Elektriciteitsbedrijf Zuid-Holland, N.V. Elektriciteits-Productiemaatschappij Oost- en Noord-Nederland, N.V. Elektriciteits-Productiemaatschappij Zuid-Nederland and Energieproduktiebedrijf UNA (together: the "**Sep Shareholders**"). Each of the Sep Shareholders owned 25% of the shares in Sep. Sep owned 67% of the 220/380 kV grid as well as the cross-border interconnections. The remaining part of the 220/380 kV grid was owned by Sep Shareholders, but put at Sep's disposal to enable it to manage the 220/380 kV grid in its entirety. On 28 April 1994, Sep incorporated DELCOS, Dutch Electricity Consulting Services B.V. ("**DELCOS**") as its 100% subsidiary. DELCOS has undergone several name changes and is currently named TenneT Holding B.V.

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

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

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

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

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

On 19 December 2005, TenneT, Transmission System Operator was converted into a holding company and renamed TenneT Holding B.V. The holding structure came into existence by way of a de-merger whereby TenneT TSO NL was incorporated. As a de-merged company, TenneT TSO NL obtained all assets of the Issuer, including the beneficial ownership of the 220/380 kV grid (with the exception of those parts that were still owned by the former Sep Shareholders or their legal successors) and the cross-border interconnections of 500 V and higher, as well as the shares in the capital of Saranne, TZH, TSO Auction B.V. ("**TSO Auction**"), EnerQ B.V. ("**EnerQ**") and CertiQ B.V. ("**CertiQ**") (see also "*Description of the Issuer—Business—Subsidiary overview – Dutch regulated activities*" below). EnerQ has been liquidated, because of the fact that its activities have been transferred to SenterNovem (currently part of Agentschap NL, an Agency of the Dutch Ministry of Economic Affairs). The shares in the non-regulated activities (*i.e.* in APX Holding B.V. (then named APX B.V.), NLink International B.V., European Energy Auction B.V., New Values B.V. and NOVEC B.V.) were subsequently transferred by separate deeds to the Issuer. European Energy Auction B.V. and New Values B.V. do not form part of the TenneT Group anymore.

As beneficial owner of the majority of the 220/380 kV grid, TenneT TSO NL appointed itself as manager of the 220/380 kV grid and the 150kV grid in the province of South-Holland, replacing TenneT, Transmission System Operator B.V., which had become TenneT Holding B.V. The Minister of Economic Affairs has given the requisite statutory approval for this appointment. An appointment lasts ten years (from the date of the approval by the Minister of Economic Affairs). With the introduction of the third EU Electricity Directive (2209/72/EC), which was implemented in Dutch legislation on 20 July 2012, the Minister of Economic Affairs will be responsible for appointing the manager of the high voltage grid.

As a result of the legal restructuring in December 2005, the Dutch regulated business of national grid manager and national transmission system operator is now being performed by TenneT TSO NL. The current unregulated business (mainly focusing on electricity spot market and clearing activities (APX Holding B.V. and its subsidiaries), telecom activities (NOVEC B.V. and Relined B.V.) and submarine cables (NLink International B.V.)) are being performed by other subsidiaries or participations of the Issuer. These unregulated activities are not allowed to conflict with the activities of TenneT TSO NL. (see also "*Description of the Issuer – Business—Subsidiary overview – unregulated activities*" below).

In November 2006, an amendment to the Electricity Act was enacted pursuant to which the "national high voltage grid" – which pursuant to the Electricity Act is to be managed by the national grid manager – has been redefined so as to include the 110 kV and 150 kV grids in addition to the 220 kV and 380 kV grids and the cross-border interconnections of 500 V and higher. This amendment entered into force on 1 January 2008. As a consequence, TenneT TSO NL, being the legally appointed national grid manager of the national high voltage grid, had to take over the management of the 110kV and 150kV grids from the relevant regional grid managers, starting on 1 January 2008. An exception applies for the time being to the 150 kV "Randmeren" grid, managed by N.V. Liander (and submanaged by TenneT TSO NL further to a submanagement agreement which entered into force on 1 August 2009) and the 150 kV grid managed by Stedin B.V., also submanaged by Tennet TSO NL further to a submanagement agreement. These grids are excepted because no satisfactory solution has been reached with regards to third parties' rights under cross-border lease transactions to which these grids are subject. TenneT TSO NL therefore manages all of the national electricity grids of 110kV and higher (excluding the 150 kV grids managed by or through N.V. Liander, Stedin B.V. and certain exemption holders) and has a legal monopoly with respect of the management of the national high voltage grid on the basis of the Electricity Act.

In 2009, TenneT TSO NL acquired the HV grids (110/150kV) and its ancillary assets, as well as the 220/380 kV grids still owned by Enexis B.V., Liander N.V. and Delta N.V.

In July 2012, in order to implement the third Electricity EU Directive (2009/72/EC), an amendment to the Electricity Act was enacted pursuant to which the "national electricity high voltage grid" was redefined, including the grid as of 110 kV and the cross-border interconnections with alternating current (AC) (hereinafter together defined as the "**National HV Grid**"). A separate definition for managers of interconnectors, i.e. cross-border interconnections with direct current has furthermore been introduced.

On 22 February 2010, the Issuer's indirectly wholly owned subsidiary transpower GmbH & Co. KG (subsequently renamed TenneT GmbH & Co KG), a limited partnership (*Kommanditgesellschaft*) organised under the laws of Germany, acquired from E.ON AG, with economic effect as of 1 January 2010, all of the issued and outstanding shares of the German extra high voltage grid operator transpower stromübertragungs GmbH (subsequently renamed TenneT TSO GmbH), a limited liability company (*Gesellschaft mit beschränkter Haftung*) organised under the laws of Germany, as well as, indirectly, all of the issued and outstanding shares of transpower offshore GmbH (which subsequently became a sister company of TenneT TSO GmbH and was renamed TenneT Offshore GmbH), at the time a wholly-owned subsidiary of transpower stromübertragungs GmbH organised as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany (the "**Acquisition**").

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

In December 2012, TenneT and Mitsubishi Corporation concluded their partnership with respect to two OWF Connections, BorWin1 and BorWin2. In that perspective Mitsubishi Corporation acquired 49% of the voting interest in the German special purpose vehicle TenneT Offshore 1. beteiligungsgesellschaft mbH. In April 2013, Mitsubishi Corporation acquired two further OWF Connections, HelWin2 and DolWin2. In that perspective Mitsubishi Corporation acquired 49% of the voting interest in the German special purpose vehicle TenneT Offshore 8. beteiligungsgesellschaft mbH.

Corporate Governance

The Dutch Corporate Governance Code (the "**Corporate Governance Code**") applies to stock listed companies. The Issuer, even though not a stock listed company, has decided to comply with the Corporate Governance Code wherever its application is possible. Whilst a large number of the principles of the Corporate Governance Code have been integrated in the corporate governance structure of the Issuer, the Issuer complies with most provisions of the Code, it has excluded certain parts. In each annual report, the Issuer explains why it does not apply certain provisions of the Corporate Governance Code. More information on the Issuer's corporate governance arrangements can be found on its website: (http://www.tennet.eu/nl/nl/corporate-governance.html). The shareholder of the Issuer, the State of the Netherlands represented by the Ministry of Finance, endorses the Issuer's application of the Corporate Governance Code.

The Issuer is structured as a large company (*structuurvennootschap*) within the meaning of Section 2:264 Dutch Civil Code. The Issuer complies with the legal structure regime (*structuurregime*). The Issuer complies with the obligations regarding the corporate governance structure as provided for in the Electricity Act. The Issuer has a statutory board of management (*raad van bestuur*, "**Board of Management**") and an executive board (*directie*, "**Executive Board**"). In accordance with the large company regime, the Issuer has a supervisory board (*raad van commissarissen*, "**Supervisory Board**") in addition to the statutory board of management and executive board. The statutory board of management requires prior approval of the supervisory board for certain decisions and sometimes also the prior approval of the general meeting of shareholders. In practice, this means that as the Issuer's only shareholder the State of the Netherlands represented by the Ministry of Finance has to approve certain decisions, including, but not limited to, the making of significant investments and divestments, and the entering into and termination of important joint ventures.

The Electricity Act provides that the Issuer is not allowed to amend its articles of association without the prior approval of the Minister of Economic Affairs.

As a result of the bill "Priority for sustainability" (*Voorrang voor duurzaam*) which entered into force on 1 July 2011, a mitigated large company regime (*gemitigeerd structuurregime*) within the meaning of Section 2:265 Dutch Civil Code was introduced for the Issuer. An amendment of the articles of association of the Issuer is currently being prepared for amongst others this purpose. The exact timing of the amendment of the articles of association has not yet been determined. Pursuant to the mitigated large company regime, members of the supervisory board are appointed by the general meeting of shareholders upon a (binding) nomination by the board of supervisory directors, i.e. the State of the Netherlands, as opposed to the previous structure of appointment by the supervisory board. The State, in its capacity as sole shareholder of the Issuer, is entitled to reject the (binding) nomination of the supervisory board, but it cannot appoint persons to the supervisory board that have not been nominated by the supervisory board. Accordingly, upon a rejection by the State of the Netherlands of one or more of its nominated candidates for appointment, the supervisory board will need to prepare a new binding nomination, to a maximum of three times, following which the State of the Netherlands can appoint an own candidate.

Board of Management and Executive Board

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

Name	Position	Positions outside the Issuer
Mr. J.M. (Mel) Kroon	President and Chief Executive Officer	Chairman Board of TenneT TSO B.V. Chairman Supervisory Board (*Aufsichtsrat)* of TenneT TSO GmbH Member Board of TenneT Verwaltungs GmbH Chairman Supervisory Board of NOVEC B.V. Member Supervisory Board of APX Holding B.V. Member Executive Board of Open Tower Company B.V. Member Board of Stichting Beheer Doelgelden Landelijk Hoogspanningsnet

Name	Position	Positions outside the Issuer
		Membre Comité d'Administration of Powernext S.A. Member Supervisory Board Epex Spot S.A. Member Supervisory Board of the Havenbedrijf Rotterdam N.V. Member Supervisory Board of HTM Personenvervoer N.V.
Mr. B.G.M. (Ben) Voorhorst	Chief Operating Officer	Member Board of TenneT TSO B.V. Member Board of TenneT TSO GmbH Member Supervisory Board of NOVEC B.V. Member Board of the Dutch association Netbeheer Nederland Member Cyber Security Council Member Supervisory Board of Energie Data Services Nederland (EDSN) B.V. Member Executive Committee of the Dutch Association for Energy Data Exchange (NEDU)
Mr E.T.A. (Eelco) de Boer	Chief Financial Officer	Member Board of TenneT TSO B.V. Member Supervisory Board TenneT TSO GmbH Member Supervisory Council of Twente University
Mr. M.J. (Martin) Fuchs	Chief Officer Asset Management	Chairman Board of TenneT TSO GmbH Member Board of TenneT Verwaltungs GmbH Member Supervisory Board of SAG Langen GmbH

The Issuer's Executive Board, in charge of the day-to-day management, is formed by the four members of the Board of Management (see above), together with:

Name	Position	Positions outside the Issuer
Mr. A.A. (Lex) Hartman	Director Corporate Development	Member (Executive) Board TenneT TSO B.V.

Name	Position	Positions outside the Issuer
		Chairman Board of BritNed Development Ltd Member Board of TenneT TSO GmbH Member Board of FLOW-Far and Large Offshore Wind Director of NLink International B.V.

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

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

Supervisory Board

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

Name	Position	Positions outside the Issuer
Mr. A.W. (Aad) Veenman	Chairman	Member of the Supervisory Board of Achmea B.V. Member of the Supervisory Board of Draka Holding N.V.
Mr. J.F. (Fokko) van Duyne	Member	Chairman Supervisory Board of Gamma Holding N.V. Chairman Supervisory Board of Royal Verkade N.V.
Mr. P.M. (Pieter) Verboom	Member	Member Board RFS Holland Holding B.V. Member Supervisory Board and Chairman Audit committee VastNed Retail N.V. Member Supervisory Board Brisbane Airport Member of the (deputy) Enterprise Division of the Amsterdam Court of Appeal (*Ondernemingskamer*) Member of Advisory Council of NIBC Merchant Bank

Name	Position	Positions outside the Issuer
		Chairman Curatorium master programme RC Erasmus University Rotterdam Adviser John F. Kennedy Airport New York
Mr. J.F.Th. (Jan) Vugts	Vice chairman	Member of Supervisory Board (*Aufsichtsrat)* of TenneT TSO GmbH Chairman Supervisory Council Stichting Alewijnse Member of Supervisory Council Trust Office Foundation of Marteau Pierre Member Supervisory Council Trust Office Foundation of MercaChem
Mr. R.G.M (Rien) Zwitserloot	Member	Member Supervisory Board of Royal VOPAK N.V. Member Supervisory Board of Amsterdam Capital Trading Group B.V.

The Issuer's registered address serves as the business address for each member of the Supervisory Board. See "Description of the Issuer—Introduction" above.

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

The Supervisory Board has installed an audit committee (the "**Audit Committee**"). The Supervisory Board appointed Mr J.F.Th. Vugts and Mr. P.M. Verboom to form the Audit Committee. The Audit Committee operates both at the level of the Issuer and at the level of TenneT TSO NL. The Audit Committee's tasks include overseeing the (quality of the) Issuer's financial reporting, its financial reporting policy and procedures, the (quality of the) internal risk management and control systems, and the independent external audit of the financial statements. The duties of the Audit Committee are set out in the Audit Committee regulations, which can be found on the Issuer's website (www.tennet.eu).

The Supervisory Board has appointed Mr. J.F. van Duyne and Mr. A.W. Veenman to form the remuneration and appointments committee (the "**Remuneration Committee**"). The Remuneration Committee is charged with making proposals concerning the remuneration policy to be pursued, the remuneration of individual board members and the preparation of a remuneration report. The Remuneration Committee also defines criteria for the appointment of board members and supervises the procedure for the appointment of new board members. The duties of the Remuneration Committee are set out in the Remuneration Committee regulations which can be found on the Issuer's official website (www.tennet.eu).

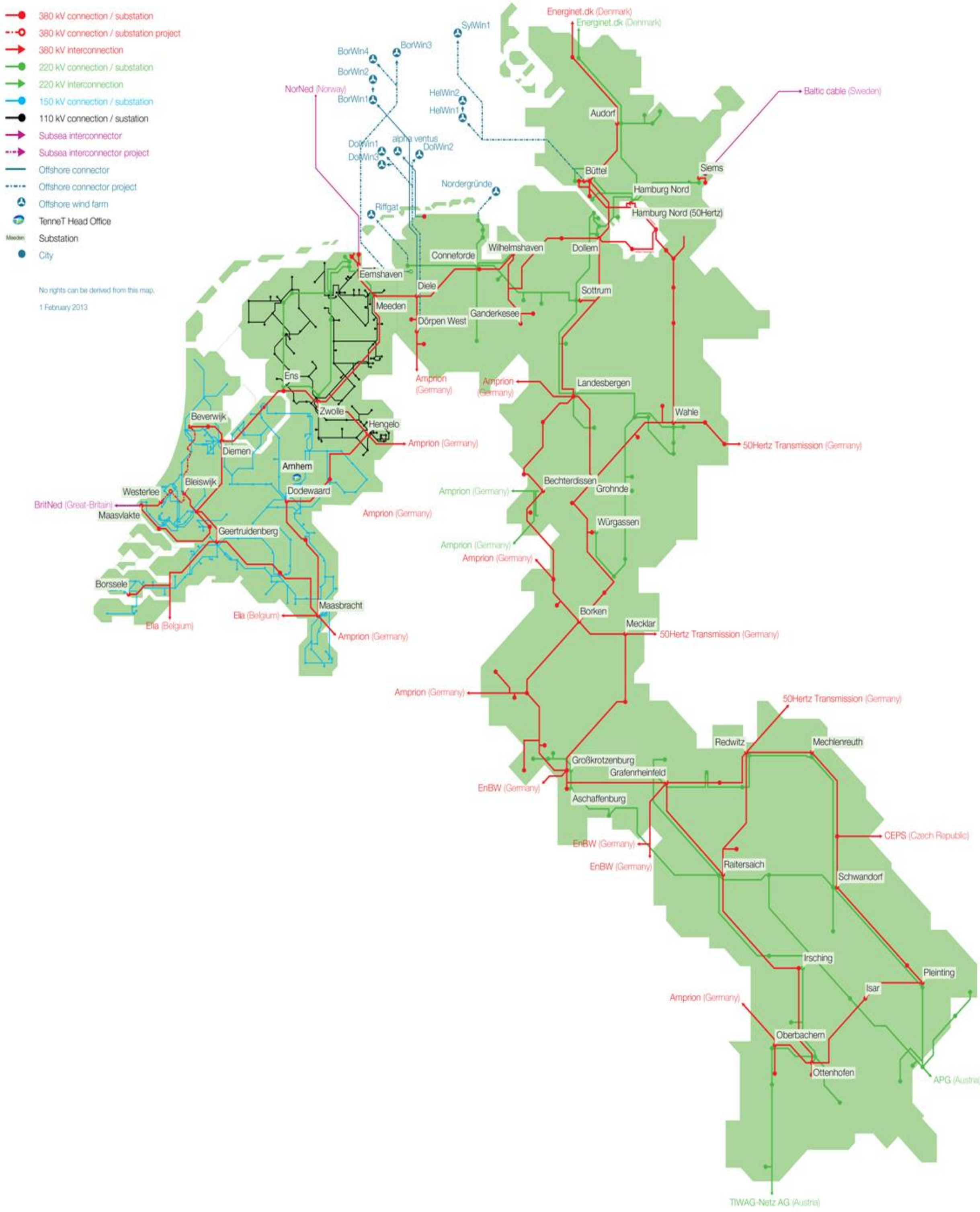
The Supervisory Board has installed a Strategic Investment Committee (the "**SIC**"). The Supervisory Board has appointed Mr. J.F. van Duyne, Mr. A.W. Veenman and Mr. R.G.M. Zwitserloot to form the SIC. The SIC advises the Supervisory Board regarding strategic investments and prepares the decision taking of the Supervisory Board. The SIC examines whether investment submissions of the management board fit into the economic, financial and technical goals of TenneT. The duties of the SIC are set out in the SIC regulations which can be found on the Issuer's official website (www.tennet.eu).

In the course of 2013, Mr. J.F. van Duyne and Mr. J.F.Th. Vugts will resign as members of the Supervisory Board due to the lapse of the maximum term (i.e. 12 years) for which they are allowed to be appointed. Mrs. Stephanie Hottenhuis has been appointed to become a member of the Supervisory Board as of 1 September 2013.

Business

The TenneT Group performs regulated activities in the Netherlands and Germany and unregulated activities throughout North-western Europe.

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



380 kV connection / substation
380 kV connection / substation project
380 kV interconnection
220 kV connection / substation
220 kV interconnection
150 kV connection / substation
110 kV connection / sustation
Subsea interconnector
Subsea interconnector project
Offshore connector
Offshore connector project
Offshore wind farm
TenneT Head Office
Substation
City
No rights can be derived from this map.
1 February 2013
Energinet.dk (Denmark)
Energinet.dk (Denmark)
SylWin1
BorWin3
BorWin4
BorWin2
BorWin1
NorNed (Norway)
HelWin2
HelWin1
DolWin1
DolWin3
alpha ventus
DolWin2
Nordergründe
Riffgat
Baltic cable (Sweden)
Audorf
Büttel
Siems
Hamburg Nord
Hamburg Nord (50Hertz)
Conneforde
Wilhelmshaven
Dollern
Eemshaven
Diele
Meeden
Sottrum
Dörpen West
Ganderkesee
Ens
Amprion (Germany)
Amprion (Germany)
Landesbergen
Zwolle
Hengelo
Wahle
Beverwijk
Amprion (Germany)
50Hertz Transmission (Germany)
Diemen
Arnhem
Bleiswijk
Bechterdissen
Westerlee
Dodewaard
Grohnde
Amprion (Germany)
BritNed (Great-Britain)
Maasvlakte
Amprion (Germany)
Würgassen
Geertruidenberg
Amprion (Germany)
Amprion (Germany)
Borssele
Borken
Maasbracht
Mecklar
Elia (Belgium)
Elia (Belgium)
50Hertz Transmission (Germany)
Amprion (Germany)
Amprion (Germany)
50Hertz Transmission (Germany)
Redwitz
Mechlenreuth
Großkrotzenburg
Grafenrheinfeld
EnBW (Germany)
Aschaffenburg
CEPS (Czech Republic)
EnBW (Germany)
EnBW (Germany)
Raitersaich
Schwandorf
Irsching
Pleinting
Isar
Amprion (Germany)
Oberbachem
Ottenhofen
APG (Austria)
TIWAG-Netz AG (Austria)

Dutch Regulated business

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

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

(I) to provide grid connection and electricity transportation services on the National HV Grid;

(II) to provide transmission services;

(III) to provide system services; and

(IV) to manage the cross-border interconnections.

Access to National HV Grid

TenneT TSO NL provides electricity market players access (meaning connection and transportation capacity) to the National HV Grid on a non-discriminatory basis and in accordance with binding conditions and tariffs adopted by the Authority Consumer & Market pursuant to EC Regulation no. 714/2009 and the Electricity Act (regulated third party access). It is responsible for repairing, replacing parts of and expanding the National HV Grid and maintaining adequate back-up transportation capacity at all times.

Transmission Services

TenneT TSO NL performs transmission services by transporting energy exported to the National HV Grid from whichever location to lower voltage grids to enable regional grid managers to deliver electricity to those connected to their grids.

System services

The principal system service is the continuous balancing of demand and supply through the deployment of automatic response power and reserve capacity services. Furthermore, the 220kV and 380kV transmission grid has been carried out in duplicate rings. If a ring falls out, the redundant ring takes over. The maintenance of this fully redundant layout of the 220kV and 380kV transmission grid is also considered a system service. The 110kV and 150kV grids are connected to the 220kV and 380kV transmission grid. Most of the 110kV and 150kV grids have been carried out in duplicate rings as well.

Management of cross-border connections

TenneT TSO NL is exclusively charged with the management of cross-border interconnections with alternating current. The management includes applying non-discriminatory and transparent transfer capacity allocation mechanisms as prescribed by the EC Electricity Regulations (EC Regulations no. 96/92, 2003/54 and 2009/72), the Electricity Act and implementing regulations. These mechanisms include the auctions performed by Capacity Allocation Service Company.eu S.A. ("**CASC.EU SA**"), a company jointly owned by TenneT TSO NL, and the transmission system operators of Belgium, France, Germany, Luxembourg, Austria, Switzerland, Slovenia, Greece and Italy. Furthermore, TenneT TSO NL operates the so-called NorNed cable, an interconnector with direct current between Norway and the Netherlands.

Unregulated business

The unregulated activities of TenneT Group are performed by subsidiaries (excluding TenneT TSO NL) directly owned by the Issuer and their subsidiaries and participations. The aim of these activities is to support the energy market and telecommunication market and to ensure its efficient operation. The Issuer employs unambiguous criteria for the selection of new activities. Only activities that support the improvement of the transparency and efficiency of the Dutch energy or telecommunication market, or that support the sustainability and supply of energy are pursued. Furthermore, according to the Electricity Act these activities must not put the statutory tasks of the TenneT Group at risk or conflict with the quality and independence of the TenneT Group.

The principal unregulated activities of the TenneT Group are:

(I) to facilitate spot, short-term and long-term trading in electricity (see APX Group in "Description of the Issuer—Business—Subsidiary overview – unregulated activities");

(II) to manage and operate a commercially operated interconnector between the Netherlands and the United Kingdom (see NLink International B.V. in "Description of the Issuer—Business—Subsidiary overview – unregulated activities"); and

(III) to facilitate distribution of radio and TV signals via the air and for telecom purposes. (see NOVEC B.V. and Relined B.V.) in "Description of the Issuer – Business – Subsidiary Overview – unregulated activities")

Strategy

The TenneT Group's overall objective, which drives its strategic choices, is: "To provide reliable high-voltage power transmission services on a 24/7 basis, while aiming for a single Northwest European electricity market and the integration of renewable energy sources". In addition, the Issuer aims to create shareholder value, and will look after the interests of its other important stakeholders, such as customers and employees.

From this overall objective, the Issuer derived the following concrete criteria to assess the various strategic options it encounters:

- Security of supply – optimise grid access and reliability (e.g., by minimising volatility, enabling diversification of fuel mix, increasing access to storage capacity) for all producers and consumers;
- Shareholder value – maximise return on equity for the Issuer's shareholders, and optimise the use of equity capital by investing smartly;
- Facilitation of environmental agenda – accommodate society's goal to realise a more sustainable energy supply, by connecting to (low cost) renewables and minimising the TenneT Group's environmental footprint;
- European market integration – connect markets, both by physical interconnections and by market coupling and integrate wholesale markets and set up partnerships with TSOs across national borders. This is designed to help to reduce electricity prices and volatility in the areas in which the TenneT Group operates through, and to gain maximum influence with respect to public opinion, legislation and regulation; and
- Low (system and transmission) tariffs – achieve optimal operating expense and capital expenditure efficiency, and increase investment project volume, benefiting from economies of scale and enhanced capital efficiency capabilities, with the aim of achieving value-for-money tariffs for customers and maximum benefits for society.

Based on the foregoing, the Issuer has defined the following strategic priorities:

1. Make necessary investments to secure reliability and agree on reliability/risk profiles for the Netherlands and Germany, also with regulators;

2. Maximise capital expenditure efficiency by making smarter investment decisions, managing projects more tightly and spending less capital to achieve the same functionality;
3. Raise equity capital to ensure ongoing financial resources;
4. Continue to play a leading role in the further integration of the European electricity market;
5. Spread and store to better balance the grid; and
6. Create access to renewable energy sources.

As the Issuer's financing capacity will likely be constrained (due to *inter alia* high investment requirements and operating in a highly regulated environment), it will consider smart ways to execute its strategy while optimising the amount of capital invested (*e.g*., "asset light" or "capital light" investment strategies).

Activities by the Issuer's subsidiaries

The Issuer has several subsidiaries. All regulated activities of the TenneT Group are performed by TenneT TSO NL and its subsidiaries, by TenneT TSO Germany and by TenneT Offshore and its subsidiaries. All unregulated activities are performed by the other subsidiaries and participations of the Issuer.

Subsidiary overview – Dutch regulated activities

TenneT TSO NL

TenneT TSO NL is the Dutch national electricity transmission system operator. It manages and directly or indirectly owns the extra high voltage grid (220kV and higher) and the cross-border interconnectors with alternating current as well as the NorNed cable. As from 1 January 2008, due to a change in law, TenneT TSO NL has extended its management to the grids of 110kV and 150kV, with the exception of certain grids which are subject to cross-border leases and which TenneT TSO NL either does not manage at all or which it manages based on a sub management agreement. Following this extension of its management duties TenneT TSO NL has in the course of 2009 successfully negotiated and completed the acquisition of the grids of 110kV and higher previously owned by Enexis B.V., Liander N.V. (with the exception of its grids which are subject to cross-border leases "**CBL Grids**") and Delta N.V.

Following its coming into existence through a demerger from TenneT, Transmission System Operator B.V. (then renamed TenneT Holding B.V.), TenneT TSO NL, substituting TenneT, Transmission System Operator B.V., appointed itself as the administrator of the extra high voltage grid (220kV and higher) as well as the 150kV grid in the province of South Holland on 20 December 2005 in accordance with article 10 of the Electricity Act. The Minister of Economic Affairs agreed with the appointment on 11 October 2006, which means that TenneT TSO NL has been appointed until 11 October 2016. Following the change of law on 1 January 2008 TenneT TSO NL has appointed itself as the administrator of the 110kV and 150kV grids (with the exception of the CBL Grids). The Minister of Economic Affairs has agreed with the appointment on 2 March 2012.

TenneT TSO NL's tasks include maintaining the security of supply and promoting the production of electricity from sustainable sources. In addition, TenneT TSO NL is responsible for market integration, ensuring stable prices and energy flows.

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

TenneT TSO NL has the following subsidiaries:

HS Netten Zeeland B.V.

HS Netten Zeeland B.V. was incorporated in 2009. HS Netten Zeeland B.V. owns the 150kV grid and part of the 380kV grid in the province of Zeeland acquired from Delta N.V. Being part of the National HV Grid, these grids are managed by TenneT TSO NL. Through its 100% shareholding in HS Netten Zeeland B.V., TenneT TSO NL has full control over the assets owned by HS Netten Zeeland B.V.

TenneT TSO E B.V.

TenneT TSO E B.V. (formerly Essent Netwerk Hoogspanningsnetten B.V.) was incorporated in 2008. TenneT TSO E B.V. owns the 110/150 kV and 220/380 kV grids acquired from Enexis B.V. Being part of the National HV Grid, these grids are managed by TenneT TSO NL. Through its 100% shareholding in TenneT TSO E B.V., TenneT TSO NL has full control over the assets owned by TenneT TSO E B.V.

Nadine Netwerk B.V.

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

B.V. Transportnet Zuid-Holland (TZH)

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

Reddyn B.V.

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

TSO Auction B.V.

TSO Auction B.V. was incorporated by TenneT, Transmission System Operator in 2000. The shares in the capital of TSO Auction B.V. were transferred to TenneT TSO NL as part of the de-merger in December 2005 (see "*Description of the Issuer—History*" above).

TSO Auction B.V. has been involved in the auctioning of cross-border electricity transfer capacity on the Dutch borders with Belgium and Germany since 2001. The activities of TSO Auction B.V. were taken over by CASC.EU SA with effect from 1 November 2009 (see "*Description of the Issuer—Business— Dutch Regulated business*" above). Most activities of TSO Auction B.V. have been terminated with effect from 1 January 2010. It is noted that TSO Auction B.V. has been liquidated on 1 July 2013.

CertiQ B.V.

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

CertiQ B.V. issues guarantees of origin as proof that volumes of electricity exported to the grid have been generated in a sustainable way or by means of high efficiency combined heat and power ("**CHP**") plants. The guarantees of origin take the form of electric registrations in an electronic account in the name of the relevant account holder. Guarantees of origin are tradable. Their validity expires one year after their first registration. Investments in sustainable energy capacity (or high efficient CHP plants) qualify for feed-in subsidies from the Dutch government under the Promotion of Sustainable Energy Production (*Stimulering Duurzame Energieproductie*, "**SDE**") grant scheme provided the sustainable quality of production is evidenced by guarantees of origin. The Electricity Act charges the Minister of Economic Affairs with designating the competent body to issue guarantees of origin (*garantiebeheheerinstantie*). Each designation is for a consecutive period of ten years. Currently the National HV Grid manager (*i.e.* TenneT TSO NL) has been designated as that body. The board of TenneT TSO NL has (on the basis of the General Administrative Law Act (*Algemene wet bestuursrecht*)) mandated its power to issue guarantees of origin to CertiQ B.V. A bill is pending in the House of Representatives to change the foregoing in a way that the Minister of Economic Affairs (instead of TenneT TSO NL) will be qualified to issue guarantees of origin and will have the power to mandate his qualification to a non-subordinated party which is intended to be CertiQ B.V.. It is currently unknown if and when this bill will enter into force.

Saranne B.V.

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

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

- CASC.EU SA: 8.33% (see also "*Description of the Issuer—Business—Dutch Regulated business*" above).
- Energie Data Services Nederland (ESDN) B.V.: 25%. The remaining shares are held by N.V. Nederlandse Gasunie (25%) and by regional gas and electricity grid administrators.
- Holding de Gestionnaires Reseaux de Transport SAS ("**HGRT**") : 24.5%. The remaining shares are held by the Belgian TSO Elia SA/NV (24.5%) and the French TSO RTE (51%). HGRT, in turn, holds a 52.83% interest in Powernext S.A., the French electricity exchange.

Stichting Beheer Doelgelden Landelijk Hoogspanningsnet

Stichting Beheer Doelgelden Landelijk Hoogspanningsnet ("**Stichting Beheer Doelgelden**") is a foundation established under Dutch law for the management of the "allocated funds" received from TenneT TSO NL in its capacity as administrator of the National HV Grid. These allocated funds comprise proceeds of imbalance settlements (see description of the "system services" of TenneT TSO NL in "*Description of the Issuer—Business—Dutch Regulated business*" above) and proceeds that TenneT TSO NL receives from market-based allocation of cross-border electricity transfer capacity (including proceeds from explicit or implicit auctions of interconnector capacity). TenneT TSO NL is not allowed to use the allocated funds for other objectives than set forth in Regulation 1228/2003/EC and the Electricity Act, notably the financing of investments to increase or enhance cross-border electricity transfer capacity. The construction of the NorNed Cable (total cost of €319,000,000) has been financed from these proceeds. Further, in 2010, Stichting Beheer Doelgelden participated in the acquisition of transpower stromübertragungs GmbH. The Stichting Beheer Doelgelden contributed €375,000,000 and obtained 2,000 Class B shares in TenneT TSO Duitsland B.V. in return.

German regulated business

The principal activities of TenneT TSO Germany are:

(a) to operate & maintain the transmission system;

(b) to provide grid connection to and transmission of electricity through its extra high voltage grid;

(c) to provide preferential grid connection to and take off electricity produced from renewable energy sources (including offshore wind farms) or cogeneration plants;

(d) to provide system services (balancing/control power, redispatch, energy for grid losses);

(e) to manage cross-border interconnections (in particular in case of congestions); and

(f) to provide connection to and take-off energy produced by offshore wind farms.

Operation & maintenance of the transmission system

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

Grid connection to and transmission of electricity

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

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

With regard to electricity generated from renewable energy sources, grid operators are under the obligation to immediately optimise, amplify and expand their grid upon request and as far as economically reasonable to ensure the purchase, transmission and distribution of such electricity. In addition, the grid operators are obligated to afford preferential treatment when taking-off electricity produced from renewable energy sources or cogeneration plants over conventional electricity generation.

System services

In order to continuously balance demand and supply of electricity, TenneT TSO Germany primarily relies on the use of different types of control energy (primary, secondary and tertiary control energy) and redispatch measures. The procurement of control energy by way of tenders is regulated by the BNetzA. The BNetzA has obligated the four German TSOs to establish a single control area comprising all four transmission systems. This control area is designed to allow for imbalances of each transmission system to be compensated and balanced between the transmission systems. The procurement of secondary control energy by way of tenders in particular must be conducted through an integrative procedure involving the entire control area. In addition, TenneT TSO Germany procures energy for grid losses to allow transmission of electricity through its transmission system.

Management of cross-border interconnections

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

Connection to and take-off of energy produced by offshore wind farms

In addition, TenneT TSO Germany is obligated to connect offshore wind farms to its transmission grid. To this end, it founded its wholly-owned subsidiary transpower offshore GmbH (which subsequently became a sister company of TenneT TSO Germany and was renamed TenneT Offshore GmbH). TenneT Offshore has carved out, and intends in the future to carve out, offshore grid connection systems into special purpose vehicles in order to sell interests in these entities. A failure to comply with the obligation to timely construct and operate offshore grid connections might result in claims for damages by the respective operators of offshore wind farms. However, the recently amended EnWG which entered into force on 28 December 2012 aims at reducing such liability risks significantly (for details see above under "*Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme – German regulatory framework – Connection of offshore wind farms*"). In principle, TenneT TSO Germany must bear the costs relating to the construction of the grid connection. However, the costs resulting from such investments will be reflected in the revenue cap to the extent these costs are approved by the BNetzA in the form of respective "investment measures". In addition, a horizontal cost balancing scheme between the four German TSOs applies. This scheme has been amended in order to include the aformentioned separate project entities (in which TenneT holds the controlling interest), which will function as a single-line TSO.

Subsidiary Overview – German regulated activities

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

TenneT TSO Germany

Nord.Link

The Issuer is currently – together with the Norwegian TSO Statnett SF and the German KfW Bank - in the development phase of one 1400 MW HVDC interconnector between Germany and Norway. Landing points for the approximately 520 kilometres long subsea cable will be in Tonstad in Vest-Agder (Norway) and Wilster in Schleswig-Holstein (Germany). The final investment decision is planned for mid 2014. Provided that all licenses are awarded in time and suppliers have the necessary production capacity to construct this interconnector, NORD.LINK will be in operation before the end of 2018. The NORD.LINK interconnector comprises an investment volume of approximately EUR 1.5 - 2 billion. On the German side, the Issuer and KfW Bank will jointly own (the southern) 50% of the project through their joint venture company DC Nordseekabel GmbH & Co KG, which was incorporated in April 2013. Statnett SF will own (the northern) 50% of the project.

TenneT Offshore

TenneT Offshore directly or via subsidiaries operates and manages (including the planning and construction of) interconnections between OWF's and the electricity transmission network in mainland Germany.

TenneT Offshore is selling interests of its subsidiaries to setup partnerships for offshore high-voltage grid connection projects. In December 2012, TenneT and Mitsubishi Corporation concluded their partnership with respect to two OWF Connections, BorWin1 and BorWin2. In that perspective Mitsubishi Corporation acquired 49% of the voting interest in the German special purpose vehicle TenneT Offshore 1. beteiligungsgesellschaft mbH. In April 2013, Mitsubishi Corporation acquired two further OWF Connections, HelWin2 and DolWin2. In that perspective Mitsubishi Corporation acquired 49% of the voting interest in the German special purpose vehicle TenneT Offshore 8. beteiligungsgesellschaft mbH.

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

- CASC.EU SA: 8.33% (see also "*Description of the Issuer—Business—Dutch Regulated business*" above).
- European Market Coupling Company GmbH ("**EMCC**"): 20% The remaining shares are held by Nord Pool Spot, European Energy Exchange (EEX), 50Hertz Transmission GmbH, and Energinet.dk.
- Central Allocation Office GmbH ("**CAO**"): 12.5% The remaining shares are held by ČEPS a.s., ELES Electro-Slovenija d.o.o., MAVIR Hungarian TSO Company Ltd., PSE-Operator S.A., SEPS a.s., 50Hertz Transmission GmbH, Verbund - Austrian Power Grid AG.

Subsidiary overview – unregulated activities

APX Holding B.V.

On 1 March 2013 APX-ENDEX group has split its combined gas and power businesses into two separate entities: a power spot and clearing entity and a derivatives and gas spot entity. TenneT sold its interest in the gas activities in return for a cash payment as well as an additional equity interest in the remainder of APX. APX, headed by APX Holding B.V., is a group of international companies focused on short-term trading in the Benelux and the UK. It is a company jointly owned by the Issuer (70.84%) and Elia System Operator S.A./N.V. (29.16%). The core activity in the Netherlands concerns the operation of a spot market for electricity. The exchange clears the contracts and publishes trading information. It does not engage in any trading activities itself.

APX includes the following fully owned subsidiaries:

- Belpex SA: the Belgian electricity exchange. Belpex is the short term, physical power exchange for the delivery and off-take of electricity on the Belgian hub. Belpex facilitates day-ahead and continuous intraday trading;
- APX Clearing B.V.: APX Clearing is the central counterparty to all spot market trades; all contracts are traded anonymously, then cleared and settled on behalf of members. The exchange also provides OTC broker clearing services for its Power UK products;
- APX Balancing B.V.: is currently responsible for balancing the supply of and demand for energy;
- APX Power B.V.: APX Power started as the first independent internet based power exchange in Continental Europe, operating a day-ahead auction. Today, the exchange also offers a continuous trading facility for intraday and strips markets in the Netherlands;
- APX Commodities Ltd: in the UK, APX Commodities is regulated by the Financial Services Authority (FSA). APX Commodities conducts its business in respect of the APX Power UK markets in the capacity of Multilateral Trading Facility (MTF) operator; and
- APX Staffing B.V.

NOVEC B.V.

NOVEC B.V. lets and manages antenna sites for distributing radio and TV signals via the air and for (mobile) telecom purposes. NOVEC B.V. has an interest of 25% in Open Tower Company B.V., with CIF Wireless Holding B.V. (a "**Communication Infrastructure Fund**") participating for the remaining 75%. Open Tower Company B.V has an interest of 100% in Colonne B.V., which owns a number of masts acquired in 2009, 100% in Mobile Radio Networks Vehicle B.V., which has two 100% subsidiaries Air Towers (1) B.V. and Air Towers (2) B.V., which both own a number of masts acquired in 2010 from KPN, the Dutch telecom operator and 100% in Dutchfort B.V. Furthermore NOVEC B.V. owns a 100% interest in Omroepmasten B.V. which owns (regulated) broadcasting masts and 100 % interest in Duvekot Rentmeester B.V. which offers clients estate administration and consultancy services.

NLink International B.V.

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

The third Electricity EU Directive (2009/72/EC) requires not only that a transmission system operator is certified by the national regulatory authority before it is approved and designated as transmission system operator, but also interconnectors. BritNed Development Ltd needs to be certified by both the Ofgem and the Authority Consumer & Market. The application for certification is currently pending.

Relined B.V.

The Issuer participates in Relined B.V., a 50/50 joint venture with ProRail B.V. Relined B.V. (the Dutch railway operator), that operates the fibre-optic infrastructure of the high voltage grid and the railway network.

Other Subsidiairies

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

Legal and arbitration proceedings

TenneT TSO NL

There are several procedures (relating to objections and appeal) pending with the Authority Consumer & Market and with the Trade and Industrial Appeals Tribunal (*College van Beroep voor het Bedrijfsleven*) against decisions of the Authority Consumer & Market regarding the tariffs of TenneT TSO NL for the years 2009-2013.

On 24 July 2012, the Trade and Industry Appeals Tribunal ruled that one of TenneT TSO NL's (indirect) customers does not need to pay system service tariffs until 1 July 2011 (the date the Electricity Act was amended in favour of TenneT TSO NL). There is a risk that other (indirect) customers might also claim they should not have had to pay such tariffs. However, TenneT TSO may be able to recoup such shortfall in the system service tariffs for future years. In accordance with the relevant IFRS rules, the Issuer has recognised a provision in the amount of EUR 264 million in its consolidated financial statements 2012. Further details on this matter are disclosed in note 7.15 of the consolidated financial statements 2012.

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

TenneT TSO Germany

TenneT TSO Germany filed a complaint against the BNetzA's determination of indices for the calculation of replacement values (*Tagesneuwerte*) for tangible fixed assets (*Sachanlagevermögen*) for both the first regulatory period (2009-2013) and the second regulatory period (2014-2018). As regards the first regulatory period, the competent Higher Regional Court of Düsseldorf has recently ruled that the complaint is justified. The BNetzA has appealed against the decision of the Higher Regional Court in Düsseldorf. The proceeding is pending at the Federal Court of Justice (*Bundesgerichtshof*).

Furthermore, TenneT TSO Germany filed several complaints against the BNetzA's determination of investment budgets for on- and offshore projects (in particular against the time limit for the investment budget approvals, calculation of capital expenditures and expected useful life of Offshore assets). The appeals have partly been successful. As a result, the main German grid system operators, including TenneT TSO Germany, entered into a public law agreement with the BNetzA which mainly reflected the favorable cost related decisions by the Higher Regional Court in Düsseldorf. In addition, the BNetzA has recently issued a decision on the calculation of "investment measures" which also correspond to similar calculatory, cost-related principles.

As regards potential delays relating to the construction of offshore grid connection lines, the developers of the offshore wind farm "*Deutsche Bucht*", "*Borkum Riffgrund I*" and "*Borkum Riffgrund II*" filed for abuse proceedings against TenneT TSO Germany with the BNetzA on 27 June 2012 (offshore wind farm "*Deutsche Bucht*") and 21 December 2012 (offshore wind farms "*Borkum Riffgrund I*" and "*Borkum Riffgrund II*") claiming in particular that TenneT TSO Germany is in breach of its statutory obligations to connect the OWF's to its transmission grid system. Parallel to these (administrative) abuse proceedings, the developer of the offshore wind farm "*Deutsche Bucht*" initiated summary proceedings before a civil court requesting BNetzA, inter alia, to order TenneT TSO Germany to construct the grid connection and to begin grid operation by a specific point in time. While the administrative abuse proceeding against the developers of the offshore wind farms "*Borkum Riffgrund I*" and "*Borkum Riffgrund II*" are still pending, on 24 October 2012 TenneT TSO Germany entered into a settlement agreement with the developer of the offshore wind farm "*Deutsche Bucht*" in order to terminate all pending proceedings. As a consequence, on 24 October 2012, the application for a preliminary injunction was withdrawn. Further, on 27 November 2012, the BNetzA formally terminated the abuse proceedings.

On 10 October 2012, the developer and future operator of the offshore wind farm "*Borkum West II*" has filed a claim for damages against TenneT TSO Germany. The claim is based on the allegation that TenneT TSO Germany is responsible for substantial damages incurred as a result of infringing the obligation to realize the offshore grid connection by the time the offshore wind farm has reached the status of operational readiness. So far the claim is limited to a so called "partial complaint" of EUR 200,000. However, the claimant also applied for a formal declaration by the court that TenneT TSO Germany is required to pay compensation for all current and future damages resulting from the delay. TenneT TSO Germany has comprehensively replied to and rejected the claim in its entirety. On 27 June 2013, an oral court hearing took place in which both the factual and legal aspects of the claim were comprehensively discussed. Subsequently, the court has announced to render a decision on 1 August 2013. Such decision will either be a final judgment or an order to take evidence.

By decision of 9 November 2012, the BNetzA refused the certification of TenneT TSO Germany as a transmission system operator. On 6 December 2012, TenneT TSO Germany filed an appeal (Beschwerde) against the BNetzA's decision before the Higher Regional Court of Düsseldorf. On 11 February 2013, TenneT TSO Germany submitted the grounds for appeal arguing that a certification has to be granted as TenneT TSO Germany complies with statutory unbundling rules.

By decision of 14 December 2011, BNetzA introduced a new allocation procedure to provide for sharing of the costs of grid fee reductions and grid fee exemptions. TenneT TSO Germany has appealed the decision before the Higher Regional Court of Düsseldorf. In its ruling dated 6 March 2013 the court annulled the normative basis for the grid fee reductions and/or exemptions (Section 19 (2) StromNEV). As a consequence, also the corresponding resolution implemented by the BNetzA was reversed. BNetzA has appealed the ruling of the Higher Regional Court at the Federal Court of Justice.

Other

In addition to the legal proceedings described above, the Issuer and/or its subsidiaries are parties to a number of other legal proceedings arising out of their business operations. The Issuer believes that the ultimate resolution of these other proceedings will not, in the aggregate, have a material adverse effect on the Issuer's financial position, results of operations, or cash flows. Such other legal proceedings, however, are subject to inherent uncertainties and the outcome of individual matters is unpredictable. It is possible that the Issuer and/or its subsidiaries could be required to make expenditures, in excess of established provisions, in amounts that cannot reasonably be estimated.

Financial policy

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

The principal financial objectives are:

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

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

Protect shareholder capital and operating results against financial risk

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

Obtain and maintain access to financial markets at favourable conditions

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

Funding

The Issuer expects aggregate investments in fixed assets across the TenneT Group to amount to approximately €13,000,000,000 during the next ten years, of which €5,000,000,000 in the Netherlands and €8,000,000,000 in Germany. The level and timing of these investments is subject to many uncertainties, such as, among others, timing and capacity of new electricity generation, the granting of permits by governmental bodies, commodity prices, number and capacity of suppliers and contractors, legislative and regulatory developments and TenneT Group's ability to arrange for the required funding. To fund these investments the issuer expects to have all or part of the following funding sources available:

(a) €1,125,000,000 revolving credit facility maturing August 2017;

(b) €500,000,000 revolving credit facility maturing November 2015;

(c) €1,000,000,000 commercial paper programme;

(d) public or private debt issuances under the Programme;

(e) public issuance of subordinated notes under the Nachrangige Bürgeranleihe-Westküstenleitung Initiative;

(f) various uncommitted bank lines totalling €495,000,000 as of 30 June 2013; and

(g) equity issuances to third parties at subsidiary level.

As of 31 December 2012, the Issuer had no financial (ratio) covenants in any of its credit agreements.

In addition, the Issuer has received from its sole shareholder, the State, an additional equity capital contribution of €600,000,000, which was paid in two tranches of €300,000,000 each in December 2011 and June 2012, respectively. This capital increase serves to support the Issuer's long-term financial stability.

The Dutch government has announced the possibility of a minority privatisation of the Issuer, but no concrete steps have been taken yet. In his letter dated 18 March 2013 to the second Chamber of the Dutch Parliament, Finance Minister Dijsselbloem stated that there is an ongoing dialogue between him and the Issuer regarding the Issuer's capital requirements and that one of the options is to allow minority privatisation, which would enable TenneT to attract additional equity. Mr. Dijsselbloem stated that the Dutch government will decide around the summer of 2013 how (access to) additional equity capital will be made available, such that the necessary investments in the Dutch transmission network can be made in a timely fashion. If a privatisation were to take place (e.g. by way of an initial public offering, a private placement or partial sale of shares in the Issuer) the State would be expected to retain a majority of the voting shares and hence to continue to control the Issuer. It is noted that the business of the Issuer is regulated by the European Union's third package on the internal energy market (including the third EU Electricity Directive 2009/72/EC) and the Electricity Act (as amended to implement the aforesaid Electricity Directive 2009/72/EC).

TAXATION

Taxation in the Netherlands

The following is intended as general information only and it does not purport to present any comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a holder of Notes (a "**Noteholder**"). For Dutch tax purposes, a Noteholder may include an individual who or an entity that does not have the legal title of the Notes, but to whom the Notes are nevertheless attributed based either on such individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions, including statutory provisions pursuant to which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

Prospective Noteholders are advised to consult their tax adviser regarding the tax consequences of any purchase, ownership or disposal of Notes. This summary does not address Dutch gift taxes or inheritance taxes in respect of any gift of Notes by, or inheritance of Notes on the death of, a Noteholder. The following summary is based on the Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date hereof, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this paragraph, "the Netherlands" shall mean that part of the Kingdom of the Netherlands located in Europe and "**Dutch Taxes**" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities.

Withholding Tax

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

Taxes on income and capital gains

This section does not purport to describe the possible Dutch tax considerations or consequences that may be relevant to:

- a Noteholder who is an individual and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- a Noteholder which is a corporate entity and a resident of Aruba, Curacao or Sint Maarten.

A Noteholder will not be subject to any Dutch Taxes on any payment made to the Noteholder under the Notes or on any capital gain made by the Noteholder from the disposal, or deemed disposal, or redemption of, the Notes, except if:

- the Noteholder is, or is deemed to be, resident in the Netherlands for Dutch corporate income tax or Dutch income tax purposes; or
- the Noteholder is an individual who is not resident in the Netherlands and has opted to be taxed as if resident in the Netherlands for Dutch income tax purposes; or
- the Noteholder is not resident in the Netherlands and derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of the enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands to which the Notes are attributable; or

- the Noteholder is an individual who is not resident in the Netherlands and derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or
- the Noteholder is not an individual and not resident in the Netherlands and is 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, other than by way of the holding of securities, and to which enterprise the Notes are attributable; or
- the Noteholder is an individual who is not resident in the Netherlands and is entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands, other than by way of the holding of securities, and to which enterprise the Notes are attributable.

Other taxes

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

Residency

A Noteholder will not become resident, or deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of the Issuer's performance, or the Noteholder's acquisition (by way of issue or transfer to it), holding and/or disposal of the Notes.

EU Savings Directive

Under the EU Directive 2003/48/EC, the Netherlands is required to provide to other EU Member States details of payments of interest and similar income paid from the Netherlands to individuals who are resident in other EU Member States.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 11 July 2013 (the "Dealer Agreement") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

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

Selling Restrictions

United States

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

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

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

Public Offer Selling Restriction under the Prospectus Directive

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

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

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

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

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed that:

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

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

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

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive (as defined under "Public Offer Selling Restriction under the Prospectus Directive" above) as implemented in the Netherlands unless (i) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act or (ii) standard exemption wording is disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act, provided that no such offer of

Notes shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Japan

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

Switzerland

The Notes being offered pursuant to this Prospectus do not represent units in collective investment schemes within the meaning of the CISA. Accordingly, they have not been registered with the FINMA as foreign collective investment schemes, and are not subject to the supervision of the FINMA. Investors cannot invoke the protection conferred under the CISA.

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

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

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in a supplement to this Prospectus.

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

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

FORM OF FINAL TERMS

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

Final Terms dated [DATE]

TenneT Holding B.V.
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the **€8,000,000,000 Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 11 July 2013 [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [has] [have] been published on the Issuer's website at www.tennet.eu and [is] [are] available for viewing during normal business hours at TenneT Holding B.V., Utrechtseweg 310, 6812 AR Arnhem, the Netherlands and copies may be obtained from such address.

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

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	TenneT Holding B.V.
2	(i) Series Number:	[ ]
	(ii) Tranche Number:	[ ]
	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [insert date]]].]
3	Specified Currency or Currencies:	[ ]
4	Aggregate Nominal Amount:	[ ]
	(i) Series:	[ ]
	(ii) Tranche:	[ ]
5	Issue Price:	[ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6	(i) Specified Denominations:	[ ] *[Where multiple denominations above €100,000 (or equivalent) are being used the following sample wording should be followed: [€100,000] and integral multiples of [€1,000] in excess thereof [up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]]*.]* **[Delete if Notes being issued in registered form.]* *Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*
	(ii) Calculation Amount:	[ ]
7	(i) Issue Date:	[ ]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:	[*Specify date or (for Floating Rate Notes)* Interest Payment Date falling in or nearest to *[specify relevant month and year]*]
9	Interest Basis:	[[ ] per cent. Fixed Rate] [[EURIBOR/LIBOR] +/– [ ] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
10	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.*(N.B. The Issuer does not intend to issue Notes that constitute derivative securities for the purposes of the Prospectus Directive. If, however, the Final*

		Redemption Amount is less than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a series prospectus).
11	Change of Interest Basis:	[Applicable/Not Applicable] [*specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identity these*]
12	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13	(i) Status of the Notes:	[Senior/Subordinated]
	[(ii) [Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate(s) of Interest:	[ ] per cent. per annum [payable in arrear on each Interest Payment Date]
	(ii) Interest Payment Date(s):	[ ] in each year
	(iii) Fixed Coupon Amount(s):	[ ] per Calculation Amount
	(iv) Broken Amount(s):	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / include any other option from the Conditions]
	(vi) Determination Dates:	[[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)] [Not Applicable]
15	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[[ ] in each year, subject to adjustment in accordance with the Business Day Convention specified in (iv) below.]
	(ii) Specified Interest Payment Dates:	[ ]
	(iii) First Interest Payment Date:	[ ]
	(iv) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]

(v)	Business Centre(s):	[ ]
(viii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[ ]
(viii)	Screen Rate Determination:	
	– Reference Rate:	[ ] month [LIBOR/EURIBOR]
	– Interest Determination Date(s):	[ ]
	– Relevant Screen Page:	[ ]
(ix)	ISDA Determination:	
	– Floating Rate Option:	[ ]
	– Designated Maturity:	[ ]
	– Reset Date:	[ ]
(x)	Margin(s):	[+/-][ ] per cent. per annum
(xi)	Minimum Rate of Interest:	[ ] per cent. per annum
(xii)	Maximum Rate of Interest:	[ ] per cent. per annum
(xiii)	Day Count Fraction:	[ ]
16	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Amortisation Yield:	[ ] per cent. per annum
(ii)	[Day Count Fraction in relation to Early Redemption Amounts:	[30/360 / Actual/Actual (ICMA/ISDA) / include any other option from the Conditions]]

PROVISIONS RELATING TO REDEMPTION

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

	(b) Maximum Redemption Amount:	[ ] per Calculation Amount
	(iv) Notice period	[ ]
18	**Investor Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
	(ii) Optional Redemption Amount(s) of each Note:	[ ] per Calculation Amount
	(iii) Notice period	[ ]
19	**Change of Control Put Event**	[Applicable/Not Applicable]
20	**Final Redemption Amount of each Note**	[ ] per Calculation Amount
21	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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

24	Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs14(ii) relates*]
25	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]

RESPONSIBILITY

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

Signed on behalf of TenneT Holding B.V.:

By:

....

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Amsterdam [*specify other*] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of Euronext Amsterdam [*specify other]*] with effect from [ ].] [Not Applicable.] *(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2 [RATINGS

Ratings:

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

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

[and endorsed by [*insert details*]]

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

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

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

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

[[*Insert credit rating agency/ies*] [is]/[are] not established in the European Union and [has]/[have] not applied for registration under

Regulation (EC) No 1060/2009.]

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

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

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer." (*Amend as appropriate if there are other interests*)

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

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)	Reasons for the offer:	[ ] (S*ee "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)]
[(ii)]	Estimated net proceeds:	[ ] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
[(iii)]	Estimated total expenses:	[ ]

5 [*Fixed Rate Notes only* – YIELD

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

6 OPERATIONAL INFORMATION

ISIN Code:	[ ]
Common Code:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant	[Not Applicable/*give name(s) and number(s) [and address(es)]*]

identification number(s):	
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]
[Deemed delivery of clearing system notices for the purposes of Condition 14]:	[Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second][business] day after the day on which it was given to [Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] [Note that the designation "yes" does not necessarily mean that the Notes will be recognized as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] The Notes will be deposited initially upon issue with [one of the ICSDs acting as common safekeeper/[a non-ICSD] common safekeeper.][*Include this text if "yes" selected in which case Bearer Notes must be issued in NGN form and Registered Notes must be held under the NSS.*]]

7 DISTRIBUTION

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

GENERAL INFORMATION

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

(2) The Issuer has obtained all necessary consents, approvals and authorisations in the Netherlands in connection with the 2013 update of the Programme. The establishment and latest update of the Programme was authorised by resolutions of the management board of the Issuer passed on 19 January 2010 and 10 September 2012, respectively.

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

(4) There has been no material adverse change in the prospects of the Issuer or of the TenneT Group since 31 December 2012. There has been no significant change in the financial or trading position of the Issuer or of the TenneT Group since 31 December 2012 except for the following:

TenneT TSO NL's level of permitted revenues includes a component based on the WACC. The regulatory WACC is based on historical data which preceed the regulation period for which the WACC is determined. The WACC is determined by the extent to which TenneT TSO NL is financed by means of debt and shareholders' equity (gearing), the cost of debt capital and shareholders' equity, respectively, the corporation tax rate applicable and inflation. The actual values of all of these variables may deviate from the assumptions used by the Authority Consumer & Market. Thus, the regulatory WACC may insufficiently reflect the true cost of capital which TenneT TSO NL will incur during the relevant regulation period, thereby positively or negatively impacting its profitability. For the current tariff regulation period (2011-2013), the pre-tax regulatory WACC is set at 6.0% (compared with 5.4% for the previous regulation period (2008-2010). According to the draft Method Decision that has been published on 1 May 2013 by the Authority Consumer & Market, the WACC for the next regulatory period (2014-2016) will be 3.6%. It is noted that TenneT given its view on the draft Method Decision in writing (within the set time frame of six weeks). The Authority Consumer & Market may (or may not) incorporate all or part of TenneT's views in its final decision, which is expected in the fall of 2013. TenneT has the right of appeal in relation to such final Method Decision of the Authority Consumer & Market.

(5) Except as disclosed under "*Business Description of the Issuer – legal and arbitration proceedings*" above neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the TenneT Group.

(6) Recent developments include the following: In December 2012, Mitsubishi Corporation acquired a 49% voting interest in two interconnections between offshore wind farms and the electricity transmission network in mainland Germany ("OWF connections ") and on 4 April 2013 a 49% voting interest in two further OWF Connections.

In February 2013, TenneT Offshore entered into a commitment for the DolWin3 offshore grid connection; the project budget amounts to EUR 1.8 billion.

On 1 March 2013, APX-ENDEX group has split its combined gas and power businesses into two separate entities: a power spot and clearing entity and a derivatives and gas spot entity. TenneT sold its interest in the gas activities in return for a cash payment as well as an additional equity interest in the remainder of APX. APX, headed by APX Holding B.V., is a group of international companies focused on short-term trading in the Benelux and the UK. It is a company jointly owned by the Issuer (70.84%) and Elia System Operator S.A./N.V. (29.16%).

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

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

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(9) There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the TenneT Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.

(10) 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.

(11) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(12) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer and in relation to (v) and (vi), also on the Issuer's website:

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

(ii) the Articles of Association (*statuten*) of the Issuer and the English translation thereof;

(iii) the audited consolidated annual financial statements of the Issuer for the two years ended 31 December 2011 and 31 December 2012, respectively, which are included in the published annual reports of the Issuer for the relevant periods;

(iv) the most recently available published audited consolidated annual financial statements of the Issuer and the most recently available published interim financial statements of the Issuer (if any);

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

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

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

(13) PricewaterhouseCoopers Accountants N.V. have audited and rendered unqualified audit reports on the consolidated annual financial statements of the Issuer for the two years ended 31 December 2011 and 31 December 2012. The auditors of PricewaterhouseCoopers Accountants N.V. are members of the Nederlandse Beroepsorganisatie van Accountants (*NBA*), which is a member of International Federation of Accountants (IFAC). The audit reports have been produced at the request of the Issuer and have been included in this Prospectus, through incorporation by reference, with the consent of PricewaterhouseCoopers Accountants N.V.

(14) It is noted that with respect to the preparation of the financial statements for the year 2012, the Issuer reconsidered its accounting policy in respect to its regulated activities. For more details, please refer to paragraph 3.3 'Changes in accounting policies' on page 101-104 of the Integrated TenneT 2012 Annual Report.

(15) The European Union (the "**EU**") has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or certain other persons in another Member State, except that Austria and Luxembourg instead impose a withholding system for a transitional period unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. A number of third countries and territories including Switzerland have adopted similar measures to the EU Directive.

(16) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business.

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INDEPENDENT AUDITORS

in relation to financial periods up to 31 December 2012

PricewaterhouseCoopers Accountants N.V.

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in relation to financial periods as from 1 January 2013

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