

8 April 2016

This document constitutes the base prospectus of Eurogrid GmbH in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended, with a denomination of at least EUR 100,000 (or the equivalent in any other currency as at the relevant date of issuance) (the "**Debt Issuance Programme Prospectus**" or the "**Prospectus**").



## **Eurogrid GmbH**

(Berlin, Federal Republic of Germany)  
as Issuer

## **50Hertz Transmission GmbH**

(Berlin, Federal Republic of Germany)  
and

## **50Hertz Offshore GmbH**

(Berlin, Federal Republic of Germany)  
as Guarantors

**€ 5,000,000,000**

**Debt Issuance Programme**  
**(the "Programme")**

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC as amended from time to time (the "**Prospectus Directive**"), for its approval of this Prospectus. By approving this Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer and/or the Guarantors in line with Article 7(7) of the Luxembourg act dated 10 July 2005 relating to prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*), as amended (the "**Luxembourg Act**").

Application has been made to list notes issued under the Programme (the "**Notes**") on the official list of the Luxembourg Stock Exchange and to trade Notes on the regulated market "*Bourse de Luxembourg*". The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Market and the Financial Instruments Directive 2004/39/EC (the "**Regulated Market**"). Notes issued under the Programme may also be listed on an alternative stock exchange or may not be listed at all.

### *Arrangers and Dealers*

**BNP PARIBAS**

**HELABA**

**MUFG**

**THE ROYAL BANK OF SCOTLAND**

**COMMERZBANK AKTIENGESELLSCHAFT**

**ING**

**RABOBANK**

**UNICREDIT BANK**

This Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) as well as on the website of Eurogrid GmbH ([www.eurogrid.com](http://www.eurogrid.com)). This Prospectus replaces the Prospectus dated 13 May 2015 as supplemented by Supplement No. 1 dated 23 October 2015 pertaining to the Programme. This Prospectus is valid for a period of twelve months from the date of its approval.

## RESPONSIBILITY STATEMENT

Eurogrid GmbH ("**Eurogrid**" or the "**Issuer**", together with all consolidated subsidiaries, the "**Group**") with its registered office in Berlin, Federal Republic of Germany, and 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (each a "**Guarantor**" and together the "**Guarantors**"), each with its registered office in Berlin, Federal Republic of Germany and in respect of information on itself only, accept responsibility for the information given in this Prospectus.

The Issuer and each Guarantor hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Prospectus should be read and understood in conjunction with any supplement hereto and with any other documents incorporated herein by reference and, in relation to any series of Notes, together with the relevant final terms (the "**Final Terms**"). Full information on any tranche of Notes is only available on the basis of the combination of the Prospectus and the relevant Final Terms.

## NOTICE

The Issuer and each Guarantor with regard to information for which it is responsible has confirmed to the Dealers (as defined herein) that this Prospectus contains all information with regard to the Issuer, the Guarantors and the Notes which is material in the context of the Programme and the issue and offering of Notes thereunder; that the information contained herein with respect to the Issuer, the Guarantors and the Notes is accurate and complete in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts with respect to the Issuer, the Guarantors or the Notes, the omission of which would make this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading; that the Issuer and the Guarantors have made all reasonable enquiries to ascertain all facts material for the purposes aforesaid.

This Prospectus is valid for 12 months following the date of its approval and this Prospectus and any supplement hereto as well as any Final Terms reflect the status as of their respective dates of issue. The delivery of this Prospectus, any supplement thereto, or any Final Terms and the offering, sale or delivery of any Notes may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial situation of the Issuer or the Guarantors since such date or that any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer has undertaken with the Dealers to supplement this Prospectus in accordance with Article 13 of the Luxembourg Act or publish a new Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus in respect of Notes issued on the basis of this Prospectus which is capable of affecting the assessment of the Notes and which arises or is noted between the time when this Prospectus has been approved and the closing of any tranche of Notes offered to the public or, as the case may be, when trading of any tranche of Notes on a regulated market begins in respect of Notes issued on the basis of this Prospectus.

No person has been authorised to give any information which is not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or any other information in the public domain and, if given or made, such information must not be relied upon as having been authorised by the Issuer, the Dealers or any of them.

Neither any Arranger nor any Dealer nor any other person mentioned in this Prospectus, excluding the Issuer and the Guarantors, is responsible for the information contained in this Prospectus or any supplement hereto, or any Final Terms or any document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

The distribution of this Prospectus, any supplement thereto and any Final Terms and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms come are required to inform themselves about and observe any such restrictions. For a description of the restrictions applicable in the United States of America, the United Kingdom, Luxembourg and Japan; see "Selling Restrictions". In particular, 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 tax law requirements of the United States of America; subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to United States persons.

The language of this Prospectus, the Terms and Conditions and the Guarantee is English.

**This Prospectus may only be used for the purpose for which it has been published.**

**This Prospectus and any Final Terms may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

**This Prospectus, any supplement thereto and any Final Terms do not constitute an offer or an invitation to subscribe for or purchase any Notes.**

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

In this Prospectus, all references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of the European economic and monetary union, and defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating and the respective rating agency will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Issuer or the Guarantors operate is taken from publicly available sources, including, but not limited to, third-party studies or the Issuer's or the Guarantors' estimates that are also primarily based on data or figures from publicly available sources. The information from third-party sources that is cited here has been reproduced accurately. As far as the Issuer is aware and able to ascertain from information published by

such third-party, no facts have been omitted which would render the reproduced information published inaccurate or misleading.

This Prospectus also contains estimates of market data and information derived from these estimates that would not be available from publications issued by market research firms or from any other independent sources. This information is based on the Issuer's or the Guarantors' internal estimates and, as such, may differ from the estimates made by their competitors or from data collected in the future by market research firms or other independent sources. To the extent the Issuer derived or summarized the market information contained in this Prospectus from a number of different studies, an individual study is not cited unless the respective information can be taken from it directly.

The Issuer and the Guarantors have not independently verified the market data and other information on which third parties have based their studies or the external sources on which the Issuer's own estimates are based. Therefore, the Issuer and the Guarantors assume no responsibility for the accuracy of the information on the market environment, market developments, growth rates, market trends and competitive situation presented in this Prospectus from third-party studies or the accuracy of the information on which the Issuer's and the Guarantors' own estimates are based. Any statements regarding the market environment, market developments, growth rates, market trends and competitive situation presented in this Prospectus regarding the Issuer, the Guarantors and their operating divisions contained in this Prospectus are based on their own estimates and/or analysis unless other sources are specified.

Any websites referred to in this Prospectus are for information purposes only and do not form part of the Prospectus (except with respect to the documents incorporated by reference into this Prospectus).

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding Eurogrid's and the Guarantors' business and management, their growth and profitability, and general economic and regulatory conditions and other factors that affect them.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer and the Guarantors make to the best of their present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer's and the Guarantors' financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer's and the Guarantors' business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*Risk Factors*", "*Business Description of the Issuer*" and "*Business Description of the Guarantors*". These sections include more detailed descriptions of factors that might have an impact on the Issuer's and the Guarantors' business and the markets in which they operate.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Guarantors nor the Dealers assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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## RISK FACTORS

*The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme and under the Guarantee. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantors are in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Many of the regulatory, environmental, legal and business operational risks to which 50Hertz Transmission GmbH ("**50Hertz**") is subject may, due to the group structure and contractual obligations between 50Hertz and 50Hertz Offshore GmbH ("**50Hertz Offshore**"), also have an impact on 50Hertz Offshore. Accordingly, references below to such risks relating to 50Hertz and its business also apply to 50Hertz Offshore and its business (as described in "Business Description of the Guarantors - 50Hertz Offshore GmbH").*

*The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. The Issuer or the Guarantors may be unable to pay interest, principal or other amounts on or in connection with Notes issued under the Programme for other reasons. 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. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.*

### **Factors that may affect the Issuer's and the Guarantors' ability to fulfil their obligations under or in connection with Notes issued under the Programme**

#### **The Guarantee will be subject to certain limitations on enforcement**

Each Guarantor is organised as a limited liability company under German law (*Gesellschaft mit beschränkter Haftung*). The enforcement of the Guarantee will therefore be limited by virtue of specific limitation language in the Guarantee reflecting the requirement under the capital maintenance rules imposed by Sections 30 and 31 of the German Act regarding companies with limited liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung* - "**GmbH-Act**") if and to the extent that payments under the Guarantee would reduce either a Guarantor's net assets (*Nettovermögen*) to an amount less than its stated share capital (*Stammkapital*) or (if its net assets are already lower than its stated share capital) would cause such amount to be further reduced (*Vertiefung einer Unterbilanz*) or if and to the extent payments under the Guarantee would deprive either Guarantor of the liquidity necessary to fulfil its financial liabilities to its creditors (Sec. 64, third sentence, GmbH-Act). These limitations will, to the extent applicable, restrict or entirely exclude the right to receive payments under the Guarantee.

German capital maintenance rules are subject to ongoing court decisions. There is no assurance that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a limited liability company which can negatively affect the ability of the Guarantors to make payments on the Guarantee or of the beneficiaries of the Guarantee to enforce the Guarantee.

#### **Enforcement of Guarantee**

The Guarantee in respect of the Notes will constitute a contract for the benefit of the Holders as third party beneficiaries in accordance with Sec. 328(1) of the German Civil Code (*BGB*). As a consequence, each Holder will have the right to demand payment directly from the Guarantor under the Guarantee and to enforce the Guarantee directly against the Guarantor.

The Guarantee will be governed by German law and the courts of Frankfurt am Main, Germany, will have non-exclusive jurisdiction for any action or other legal proceedings in connection with the Guarantee. Holders should be aware that the enforcement of rights with the help of a German court is subject to an advance of court fees and, if

the relevant Holder is a foreign person domiciled outside the European Union, to the posting of a bond for statutory attorney's fees incurred by the defendant. In addition, upon request of the court, documents which are not in the German language will have to be translated into German to be admissible evidence in the German courts which could cause delays in the enforcement of the Holder's rights.

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

The Issuer is a holding company with no material, direct operations. The Issuer's principal asset is the equity interest it holds in 50Hertz. As a result, the Issuer's ability to pay interest on and repay principal of the Notes and its other indebtedness is dependent upon the operations of its subsidiaries and the distributions, transfers, advances or other payments of funds the Issuer receives. The Issuer cannot provide any assurance that it will receive sufficient funds to make payments on the Notes when due. The Issuer's subsidiaries are separate and distinct legal entities and, except for the Guarantors pursuant to the Guarantee, they will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividends, distributions, advances, loans or other payments. Accordingly, all risk factors that have an impact on the Guarantors have an impact on the Issuer.

**Factors which are material for the purpose of assessing the regulatory, environmental and legal risks associated with Notes issued under the Programme**

**The regulatory framework in Germany governing the tariffs of 50Hertz includes certain factors, which may negatively impact the Issuer's ability to meet its debt service obligations**

The tariffs charged by 50Hertz as a Transmission System Operator ("TSO") are subject to regulation by the German federal regulatory agency (*Bundesnetzagentur*, "BNetzA"). The decisions made and the actions taken by BNetzA under the current regulatory framework may have a negative impact on 50Hertz. In particular, such decisions or actions may be based on false assumptions, defective research or unreasonable efficiency goals and may fail to acknowledge costs which 50Hertz cannot avoid incurring. BNetzA is under no statutory obligation to ensure the solvency of a TSO in all circumstances and there is no assurance that tariff limits imposed by BNetzA will allow 50Hertz to generate sufficient revenues, thereby allowing the Issuer to meet its financial obligations.

The primary source of revenues for 50Hertz are (1) grid tariffs for access to and usage of the 50Hertz transmission system, and (2) several surcharges (*Umlagen*) such as (i) the surcharge for the recovery of EEG costs (the so called "**EEG-Umlage**") arising from 50Hertz's obligations with respect to the renewable energy process as set out in the Renewable Energy Act (*Erneuerbare Energien Gesetz* – "**EEG**") and the Ordinance on the Equalisation Mechanism (*Ausgleichsmechanismus-Verordnung* – "**AusglMechV**"), (ii) the surcharge according to Sec. 19 Ordinance on Electricity Network tariffs 2005 (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung* – "**StromNEV**")) for so called individual grid tariffs, (iii) the surcharge for recovery of costs incurred in connection with offshore connections according to Sec. 17f of the Energy Industry Act (*Energiewirtschaftsgesetz*, "**EnWG**") (so called "**Offshore-Haftungsumlage**", "**Offshore Liability Surcharge**"), (iv) the surcharge for the recovery of costs incurred by 50Hertz due to obligations arising from the Combined Heat and Power Act (*Kraftwärmekopplungsgesetz*, "**KWKG**") (so called "**KWKG-Umlage**") and (v) the surcharge for recovery of costs arising from 50Hertz's obligations with respect to the Ordinance on Detachable Load (*Verordnung über Vereinbarungen zu abschaltbaren Lasten*, "**AbLaV**"). As the impact of the aforementioned surcharges under (2) on 50Hertz's profit is designed to be neutral, 50Hertz primarily derives its profit from the grid tariffs.

The grid tariffs are calculated on the basis of a revenue cap, which is subject to regulation by BNetzA. The revenue cap is determined for each year of a 5-year regulatory period based upon a cost assessment in a "base" year. This cost assessment reviews cost items for the operation of both onshore and offshore assets. The current, second regulatory period came into effect in 2014, based on approved costs of the base year 2011 and will expire in 2018.

BNetzA classified some costs as permanently non-influenceable costs (as regards 50Hertz currently more than 50 percent. of the costs), others as temporarily non-influenceable costs and influenceable costs. For the purposes of this incentive regulation mechanism, an efficiency factor (currently 50Hertz is deemed 100 per cent. efficient for the second regulatory period) affects the influenceable costs and a productivity factor (currently 1.5 per cent. for the second regulatory period), together with an inflation factor, affect the temporary non-influenceable costs and the influenceable costs during the 5-year regulatory period. If the relevant efficiency and productivity factors are not achieved, there may be a negative impact on the profitability of 50Hertz. Before the third regulatory period commences in 2019 another efficiency comparison will be carried out and the productivity factor will be newly determined. There is a risk that 50Hertz will no longer be considered 100% efficient and that the new productivity factor is not in line with 50Hertz's individual productivity. Furthermore, the current regulatory framework provides for the use of a "quality factor" which could also be applied to TSOs but the criteria for the quality factor for TSOs and its implementation mechanism have yet to be established by BNetzA. There may be an additional negative impact on the profitability of 50Hertz if the relevant quality standards are not met. Furthermore, there is a risk that neither the base year costs itself nor the results of the costs assessment of the applied costs give a sufficient base for the cost coverage in the following regulatory period.

A part of the annual revenue cap is based on the recovery of costs associated with 50Hertz's obligations with respect to energy management (control power, grid losses, reserves, redispatch) that may negatively impact the profitability of 50Hertz and/or may lead to a liquidity risk of 50Hertz. The main risks involved in the energy management business result from cost increases, in particular with respect to control power, reserves, procurement of energy volumes to cover grid losses and redispatch costs. Such cost increases may result from volume effects and/or from unforeseen market price increases, such as price increases resulting from higher volumes since in case of higher volumes also energy from more expensive power plants has to be procured, and such cost increases may be substantial. The volume effects may be enhanced by the fluctuating feed-in from renewable energy facilities, which need to be compensated for by maintaining a system balance between generation and consumption at all times. In order to reduce the risks arising from these effects for the second regulatory period BNetzA has accepted separate procedural regulations (so called "Freiwillige Selbstverpflichtung" acc. to Sec. 11 para. 2 Ordinance on Incentive Regulation *Anreizregulierungsverordnung*, "**ARegV**") for each energy management obligation (control power, grid losses, national redispatch). Regarding reserves no such procedural regulations are in place yet. According to the procedural regulations the expenses for each energy management obligation will be reflected in the revenue cap on the basis of planned costs. Afterwards, in the following year, planned costs will be compared to actual costs. According to the respective regulation for redispatch the difference between planned costs and actual costs will be completely accepted in the revenue cap with a 2-years-delay. For offshore grid losses the difference between planned costs and actual costs will be accumulated during a regulatory period. The total cost differences over this regulatory period will be equally distributed over the costs for offshore grid losses over all years of the following regulatory period, thus increasing or decreasing the revenue cap of each of the respective years. However, if allowed total grid revenues during one of the years of the regulatory period in which the offshore grid losses initially occur deviate from the revenue cap by more than 5 %, the difference between planned costs and actual costs for the compensation of offshore grid losses will be completely accepted in the revenue cap with a 2-years-delay from that said year. The time lag will be compensated for by an interest rate according to the regulatory account. This interest rate might substantially deviate from 50Hertz's real options of placing funds and borrowing money. Especially, in case of actual costs being below planned costs 50Hertz might not be able to earn the interest rate (from the regulatory account payable to grid users) by placing funds. However, as regards the procedural regulation for redispatch, there is a risk that BNetzA does not accept costs in the framework of the procedural regulation. Inter alia, BNetzA on 19 August 2015 waived a legal basis (namely the definition of reasonable compensation for redispatch) for the procedural regulation redispatch. If BNetzA does not accept certain costs as being part of the redispatch costs this would increase the liquidity and/or profitability risks originally meant to be reduced by the procedural regulation redispatch. For onshore grid losses the difference between planned costs and actual costs will be partially accepted in the revenue cap with a 2-years-delay; (real volumes are accepted, but prices are limited to a reference price). For control power



the actual prices are fully accepted, whereas the costs resulting from volume differences are subject to a bonus/malus.

Apart from that, three further procedural regulations exist: one for the recognition of auction revenues and cross-border redispatch costs one for costs arising from European activities and one for the revenues from the Inter-Transmission System Operator Compensation ("ITC"). The first two procedural regulations cover real costs, nevertheless, due to time lags liquidity risks may arise. The latter one on ITC currently only covers revenues. If 50Hertz becomes an ITC net payer a new procedural regulation covering real costs has to be concluded.

It has, however, to be noted that the acceptance of procedural regulations which represent an administrative act may be revoked by BNetzA in accordance with general principles of administrative law. Besides that all procedural regulations are limited to the duration of the regulatory period and may change for the next regulatory period with a potentially serious impact on 50Hertz's business.

German regulation provides for a specific remuneration regime for transmission network investments called investment measures ("IM"). If an expansion or restructuring measure is approved as an IM, the costs incurred for such an IM are generally considered as permanently non-influenceable costs for the approved period without time delay (Sec. 23 ARegV). After the approved period the costs resulting from the respective IM will become a part of the regulated asset base. Investment projects with an overall volume of approximately € 6.25 billion (reference date: 31 January 2016) contemplated by 50Hertz are currently approved; further projects are still in the approval phase. With regard to the projects in the approval phase there is the risk that BNetzA does not acknowledge the need for the investment as such and, in consequence thereof, does not (entirely) approve the IM. With regard to IMs there is the risk that BNetzA does not acknowledge all costs incurred. In particular, in cases where investment measures are not realized, the inclusion of the costs accrued in relation to such investment measures in the tariffs is only potentially acknowledged by BNetzA. Thus, in such an event a case by case evaluation would be carried out by BNetzA. This can also apply in cases where underlying costs result from contracts between 50Hertz and foreign parties such as foreign TSOs or suppliers according to which payments are to be made in another currency than Euro (currency risk).

BNetzA has issued a self-binding determination with regard to the calculation of capital cost and cost of operation for approved IM. According to this determination actual costs of debt are accepted as long as they are market conform. This has to be proven by the network operator. The determination contains reference values to match the market conformity for the different options of financing. If cost of debt exceed the reference values and the market conformity is not proven by the network operator, costs of debt will not be completely accepted for the IM while the allowed cost of debt related to IM is capped at the lower of the actual cost of debt or cost of debt as calculated in accordance with a published BNetzA determination. These caps can result in 50Hertz only partially recovering its actual cost of debt, which may negatively impact the financial results of 50Hertz. In addition, the determination can be revoked or amended by BNetzA.

If financings and investments are not aligned, a risk for the profit and hence liquidity might arise.

In general, operational costs linked to IMs are recognised by BNetzA at a rate of 0.8 per cent. on approved actual investment volume (cf. Sec. 23 para. 1 s. 3, 4 ARegV). A specific rate of currently 3.4 per cent. on approved actual investment volume applies to operational costs linked to offshore connections (cf. BNetzA, determination of 12 December 2011, BK4-11-026). However, this determination on accepted operational costs linked to offshore connections can be revoked or amended by BNetzA due to a different calculation approach.

The operational costs recognised by BNetzA may not be sufficient to cover actual operational costs and BNetzA may utilise a different approach in the future. Consequently, operational costs may not be fully recovered.

The revenue cap and efficiency factors for the next regulatory period, which is expected to come into effect in 2019 based on costs in 2016, are unknown. BNetzA has submitted an evaluation report to the German Federal Ministry for Economic Affairs and Energy containing an evaluation of the incentive regulation and proposals for further developing it. However, at this stage of the process it is unclear, whether and how these proposals will be

implemented into the current incentive regulation. Due to the base rate development, the equity remuneration is expected to decline in the third regulatory period. Additionally, according to Sec. 9 para. 3 ARegV, BNetzA has to determine the general productivity factor for the third regulatory period. At this stage it is still unclear which method will be adopted by BNetzA and which general productivity factor will result from this. The determination will have an impact on the revenue cap of 50Hertz. The ultimate revenue cap for the third regulatory period could potentially lead to a material drop in profitability of 50Hertz.

According to Sec. 19 StromNEV, in specific cases, grid users can apply for so-called individual grid tariffs which are, compared to the standard grid tariffs, lower and take into account that particularly huge industrial grid users contribute to a permanent and steady usage of the network system. The TSOs are obligated to reimburse distribution system operators (“DSO”) for loss of income resulting from such lower individual grid tariffs. The TSOs then balance their respective compensation payments towards DSOs and their own loss of income amongst each other according to a specific distribution key. The financial burden is then to be allocated to all end consumers by means of a surcharge. In pending court proceedings the legitimacy of the surcharge and of individual grid tariff exemptions is challenged. With regard to both, the surcharge and individual grid tariffs, a state aid proceeding in front of the European Commission is also pending. There is a risk that the pending proceedings could lead to a change in the surcharge mechanism for the years 2011-2013 and therefore temporarily lead to liquidity and profitability risks for 50Hertz.

The TEN-E Regulation (EU Regulation No 347/2013 on guidelines for Trans-European energy infrastructure) has been in force since June 2013. The TEN-E Regulation was passed in order to achieve the EU's energy policy objectives. To ensure these joint European objectives, most energy infrastructure network expansion projects affecting cross border capacity that were already identified as necessary at the national level are designated as projects of common interest (“PCIs”). For projects classified as PCI TSOs can claim European cost sharing to other TSOs if their countries profit from those projects. Lithuania has claimed cost sharing for one of their projects with impact on Germany. Since national regulators did not agree on cost sharing it was up to the Agency for the Cooperation of Energy Regulators (“ACER”) to decide on this case. ACER decided against the claim, so that Germany and thus the German TSOs do not have to bear any costs. However there is a risk that ACER may decide differently in future cases. Then the German TSOs have to bear a certain share of costs and a risk for the exact cost coverage arises for 50Hertz. National legislation currently does not specifically reflect a cost coverage mechanism without a time lag. This could temporarily lead to liquidity and profitability risks.

#### **Insufficient return on the capital invested represents a financial risk with respect to both investments already made and future investments**

The return on equity is determined by an imputed equity and a specific interest rate on this equity. Every 5 years, prior to the respective base year, BNetzA determines the interest rate and thereby the equity remuneration for the following regulatory period. The interest rate consists of a risk-free base rate and a risk premium. So far BNetzA has used a Capital Asset Pricing Model (CAPM) in order to calculate the equity remuneration. The return on equity for the current, second regulatory period is set at 9.05 per cent. for investments made since 2006 and 7.14 per cent. for investments made before 2006 (“**Interest Rate EK I**”). The aforementioned percentages are calculated before corporate tax and after imputed trade tax. The equity to which the Interest Rate EK I applies is limited to 40 per cent. of the value of the regulated asset base. If the value of the regulated asset base financed by equity exceeds 40 per cent., an interest rate fixed in the StromNEV is applicable (“**Interest Rate EK II**”). An insufficient return on equity may result if the interest rates are too low or if BNetzA does not recognize all balance sheet items in the calculation of the regulated asset base. The interest rate for the following third regulatory period is expected to be determined by BNetzA in late summer 2016. Following the development of the variables in the calculation formula, such as general interest level, and the recommendations of several studies carried out in some of the neighbouring countries, a decrease of the interest rate compared to the current, second regulatory period has to be expected. Even though, discussions on an adequate consideration of the specific framework conditions in Germany in the light of the “Energiewende” and an interest rate that allows grid companies to finance the necessary investments will continue during the next months it remains totally unclear whether or not such discussions will

influence the determination of the interest rate level. Cost of debt is accepted as long as it is market conform (*marktüblich*). For cost of debt not allocated to investment measures the base year mechanism applies. Thus, costs incurred in between base years might not be fully covered and can subsequently have a negative impact on liquidity and profit.

**Mismatch in timing of generating revenues from the surcharges and respective costs incurred may have a negative impact on 50Hertz's liquidity**

With regard to all obligations of 50Hertz which are remunerated by the payment of above mentioned surcharges it is to note that there might be a time delay between costs incurred and the recovery of such costs by the payment of the respective surcharge.

This in particular applies to the EEG surcharge. In accordance with previous versions of the EEG, network operators were obliged to purchase all renewable energy within their network area at fixed rates. The occurring costs as well as the produced electricity were passed on to the four German TSOs who sold the energy on the spot market of an energy exchange in accordance with Sec. 2 AusglMechV. As of 1 August 2014, this prior mechanism of paying legally fixed feed-in tariffs has been replaced by the principle of direct marketing (*Direktvermarktung*). Although operators of new renewable energy facilities are now obliged to market their electricity directly or involve a direct marketer, they are still being paid a market premium (*Marktprämie*) from the network operators that closes the gap between the spot price and a feed-in tariff. So the actual market premium model does not significantly reduce the risk exposure of the network operators. To recover the costs for the market premium and – if renewable energy facilities are still marketed by the TSOs – the gap between the revenues for selling the energy and the feed-in tariffs, 50Hertz receives the EEG surcharge, which is calculated in accordance with Sec. 3 AusglMechV annually and will be published until every 15 October for the next calendar year. The calculation is based on forecasts for factors such as spot prices and volumes of energy from renewable energy facilities. However, during the course of the year, the volumes and spot prices can differ significantly from the forecasts resulting in positive or negative liquidity requirements for 50Hertz on its specific EEG account and may have an adverse impact on its cash position. Since previous calculations usually led to a cost under-absorption (*Kostenunterdeckung*), the missing difference between actual costs and actual revenues were factored into the EEG-Umlage for the following calendar year allowing for full recovery.

Taking into account regional differences in the generation of renewable energy in Germany, EEG 2014 provides for a nationwide equalisation mechanism amongst the TSOs in Germany with respect to the costs resulting from paying legally fixed feed-in tariffs or, as of 1 August 2014, market premiums in their control area. The four TSOs in Germany currently share the EEG costs according to the load amongst themselves based on Sec. 58 EEG 2014. Changes to the EEG cost-sharing mechanism between the TSOs in Germany may therefore have a negative impact on 50Hertz.

Liabilities arising from the offshore regime may not be covered by the Offshore Liability Surcharge. In accordance with the current laws and regulations, 50Hertz is obligated to connect without undue delay all renewable energy facilities in its control area and any delay in such connections may subject 50Hertz to damages claims. In particular, 50Hertz's obligation to connect offshore wind farms in the Baltic Sea results from specific provisions in the EnWG, while obligations to connect all other types of renewable energy facilities result from the EEG. Especially, the provisions focusing on offshore connections have been heavily discussed and amended in the last years.

According to Sec. 17e EnWG 50Hertz is basically liable for financial damages regardless of its culpability if the cable connection is disrupted for more than 10 consecutive days or more than 18 non-consecutive days per calendar year or delayed by more than 10 days after the completion date that has to be published by the TSO after having ordered the assets required for the grid connection. This date becomes binding 30 months prior to being reached. After the respective waiting period, the operator can demand a ninety per cent. compensation payment from 50Hertz. Should 50Hertz have caused the disruption or delay intentionally, the offshore windfarm operator can apply for compensation as of the first day and 50Hertz has to bear the compensation costs fully. Otherwise, it can

pass through at least part of the costs via the Offshore Liability Surcharge. If 50Hertz can prove not to have acted negligently, all costs can be passed through. If however 50Hertz has contributed negligently to disruptions or delays, according to Sec. 17f EnWG it can pass only part of the cost of compensation to the end customer: In case of gross negligence, a maximum own retention of € 110 million per year (cap) will have to be borne by 50Hertz (up to the cap: 20% up to an amount of € 200 million per calendar year, 15% up to an amount of € 400 million per calendar year, 10% up to an amount of € 600 million and 5% up to an amount of € 1,000 million per calendar year). In case only negligence applies, the own share of 50Hertz is limited to € 17.5 million per event. Therefore, in case of costs not being allowed to pass on, the offshore regime might negatively impact the profitability of 50Hertz.

#### **TSO permit to operate / certification may be revoked or could be modified**

50Hertz is permitted to operate as a TSO in Germany and while this authorisation is not limited in time, it can be revoked by the Energy Authority of the State of Berlin (*Senatsverwaltung für Wirtschaft, Technologie und Forschung (Energiewirtschaft/Energieaufsicht)*) if 50Hertz, inter alia, does not have the personnel, technical and financial means to guarantee the continuous and reliable operation of the network in accordance with the applicable legislation. Such revocation of the permit will have a material adverse impact on 50Hertz and the Issuer, including the ability to meet their respective obligations under the Notes.

The unbundling regime in the EnWG provides for different models (Ownership Unbundling, Independent Transmission Operator, Independent System Operator). In a certification process BNetzA assesses if the unbundling provisions are met by the respective TSO. The certification as ownership unbundled TSO has been granted to 50Hertz by the BNetzA by decision of 9 November 2012 after having notified its draft decision to the European Commission. The certification can be revoked if 50Hertz does not meet the unbundling provisions any more. The BNetzA could also fix a fine. However, after the revocation of the certification 50Hertz would still be able to operate the network. Nevertheless, the revocation would have a negative impact on external presentation.

#### **Future changes to the regulatory framework on a national and European level may have a negative impact on 50Hertz**

Changes to the regulatory framework may have a negative impact on 50Hertz's business and thus increase liquidity and/or profitability risks.

On a national level, the regulatory framework was recently subject of an evaluation report. This report contains proposals for the development of the incentive regulation. However, at this stage of the process it is unclear, whether and how these proposals will be implemented into the current incentive regulation.

The German regulatory framework governing the activities of 50Hertz is subject to extensive European legislation and regulation. The current national regulatory framework is based upon, *inter alia*, the Third Energy Package. Even though 50Hertz proactively tries to anticipate European legislation, new directives and regulations in preparation at the European level or existing regulations and directives awaiting transposition into national law may always cause uncertainty. The interpretation by the German regulatory authorities and the transposition into German law might have negative impacts on several aspects of the regulatory framework and hence the profitability of 50Hertz.

50Hertz was involved in the drafting process of the network codes. Network codes are sets of rules which apply to one or more parts of the energy sector. Regulation (EC) 714/2009 sets out the areas in which network codes shall be developed. European Network of TSOs for Electricity ("ENTSO-E") has already developed several network codes, which will seriously impact 50Hertz's business. It is expected that several other network codes will be published in 2016 and 2017 covering further market and operational issues of the TSOs.

In July 2015, the German Federal Ministry for Economic Affairs and Energy published a White Paper on the development of the electricity market, containing numerous conclusions from a preceding consultation process and in consequence of these conclusions first proposals for legislative changes. Among others, a draft law for the development of the energy market (Strommarktgesetz) was published in September 2015. The law is expected to enter into force in 2016 and will impact 50Hertz's business. At this stage of the legislation process it is, however,

still unclear whether and how these proposals will be implemented in the regulatory framework and impact 50Hertz's business.

Moreover, in this context a revision of the ARegV is expected to be carried out. In particular, it cannot be excluded that changes to the acknowledgement of costs of investment measures, changes to the acknowledgement of costs for the reduction of the feed-in from renewable energy facilities and a reduction of the regulatory period may occur. Such revision may have substantial impact on the TSOs' business and thus on 50Hertz's profitability and/or liquidity.

In order to further develop the European energy system, the EU Commission has recently announced its plans for the next years: In its Energy-Union-package it proposed to further develop the regulatory framework set up by the Third Energy Package, in particular with regard to the function of ACER and ENTSO-E and future regional coordination among TSOs. This possible development of the regulatory framework may lead to a Fourth Energy Package and have significant impact on 50Hertz's business.

**50Hertz may incur significant costs to manage potential environmental and public health risks and to accommodate city planning constraints**

50Hertz's operations and assets are subject to European, national and regional regulations dealing with, *inter alia*, environmental matters, city planning and zoning, building and environmental permits and rights of way. These regulations are often complex and subject to continual change (resulting in a potentially stricter regulatory framework or enforcement policy). The most significant environmental issues faced by 50Hertz relate to the visual impact of the infrastructure, electromagnetic fields ("EMF"), soil pollution, water contamination, noise and waste as well as the impact on protected species and areas. Compliance with such regulations may impose significant additional costs on 50Hertz, including expenses relating to the implementation of preventive or remedial measures or the adoption of additional preventive or remedial measures to comply with future changes in laws or regulations. Additional costs may also be incurred by 50Hertz in respect of, *inter alia*, compensation for impact of the infrastructure on the environment, actual or potential liability claims, and the defence of 50Hertz in legal or administrative procedures or the settlement of third party claims. Opposition to actions or programmes in connection with environmental, city planning or zoning matters may require 50Hertz to incur additional costs for enquiries or publicity measures.

The potential influence of EMFs emanating from transmission lines has received growing focus in recent years. The legal requirements as set by the 26th Federal Emission Control Regulation (26. BImSchV) have already been tightened in the course of its revision in 2013. However, it is possible that the legal environment in that respect may even become more restrictive in the future. This may result in 50Hertz incurring additional costs in managing environmental and public health risks or city planning constraints and an increased risk of potential liability claims by affected persons.

Moreover, for years legal grounds have been expanded to allow for a larger number of field testing of underground cables in highest voltage level. Lately new legislation has been implemented, introducing a larger number of additional field testing projects for alternating current (AC) underground cables, while on the direct current (DC) level, the legislator changed from the testing modus to underground cable as regular technology. In consequence, costs will significantly rise, as the use of underground cables is much more expensive than the use of overhead lines. Moreover, in the context of underground cabling regarding DC lines, the legislator introduced binding rules on distances to residential areas. This renders planning more complex. Discussion might emerge on expanding this rule on overhead lines and on enlarging underground cabling in the future. This might lead to future changes in law and may impose even more additional costs on 50Hertz.

**Possible retroactive changes to, or different interpretations of, applicable laws, including tax laws, additional tax assessments, anticorruption laws and antitrust laws, may have a negative impact on the Issuer and the Guarantors**

The Issuer and the Guarantors consistently strive to adhere to all laws, regulations and legally binding decisions. However, in some circumstances, especially where a law or regulation is subject to different interpretations, the

Issuer and the Guarantors may inadvertently violate their obligations and may be liable for substantial administrative fines. In particular, accounting standards and tax laws and their interpretation by the standard boards and tax authorities and courts are subject to changes, potentially with retroactive effect. Such changes may have a negative impact on the Issuer's and the Guarantors' net assets, financial position and results of operations being presented differently in the future and key performance indicators being impaired in this regard. Furthermore, although tax rules are applied by the Issuer and the Guarantors with accuracy and precision, the Issuer's and the Guarantors' interpretation may not correspond to that of the relevant authorities at the time of potential controls. For instance, the relevant authorities may not accept the tax grouping based on the profit and loss transfer agreements between the Issuer and 50Hertz, and between 50Hertz and 50Hertz Offshore. Tax audits may result in a higher taxable income or in a lower amount of carried forward tax losses being available to the Issuer and the Guarantors.

#### **Legal proceedings may result in increased financial liabilities for the Issuer and the Guarantors**

In the ordinary course of business, various legal claims and proceedings are pending or threatened against the Issuer and the Guarantors. The amounts claimed may be substantial and the Issuer and the Guarantors are unable to predict with certainty the ultimate outcome of such claims and proceedings. In most instances the Guarantors have established provisions for pending litigation, which they believe are adequate, and after counsel advice, it is not expected that the ultimate outcome of any matter currently threatened or pending against 50Hertz will have a material effect on the financial position of the Issuer and the Guarantors.

A dispute which is of particular note concerns a claim raised by the insolvency administrator of TelDaFax Energy GmbH against 50Hertz, requesting mainly the repayment of EEG-Umlage payments in an amount of approximately € 36 million. In October 2015 the District Court of Berlin (*Landgericht Berlin*) delivered its judgment and ruled that 50Hertz has to pay the amount in dispute plus interest to the insolvency administrator. 50Hertz filed an appeal against this judgment with the Higher Regional Court of Berlin (*Kammergericht*), which is still pending. 50Hertz has not made any provisions in relation to this claim, relying on an informal statement by BNetzA that if a German TSO incurs losses of EEG-Umlage payments due to insolvency of an energy supplier, these can be recovered via the EEG-mechanism according to the EEG.

A similar claim was raised by the insolvency administrator of FlexStrom AG, requesting the repayment of EEG-Umlage payments in an amount of approximately € 27.5 million plus interest. In February 2016, the insolvency administrator of FlexStrom AG announced that he will now bring proceedings against 50Hertz. 50Hertz has not made any provisions in relation to this claim, relying on an informal statement by BNetzA that if a German TSO incurs losses of EEG-Umlage payments due to insolvency of an energy supplier, these can be recovered via the EEG-mechanism according to the EEG. Furthermore, the operator of the pumped-storage power plant Goldisthal has raised a claim against BNetzA after BNetzA refused initially to grant an exemption from paying grid tariffs. The pumped-storage power plant Goldisthal is connected to 50Hertz's transmission system and is therefore in principle obliged to pay grid tariffs. Due to the EnWG and the StromNEV pumped-storage power plants can be exempted from paying grid tariffs for 10 years in case they meet certain conditions. While the court proceeding was pending, BNetzA granted the grid tariff exemption, but only starting with the year 2017. The operator challenged the decision of BNetzA with respect to the years 2014-2016. On 9 March 2016, the Higher Regional Court Düsseldorf (*Oberlandesgericht Düsseldorf*) decided in favour of the BNetzA, rejecting the grid tariff exemption for the years 2014-2016. Unless the operator appeals, 50Hertz thus has to refund the grid users via lowering the grid tariffs by about € 110 million in the upcoming two years, which may result in a liquidity risk for 50Hertz. In case the pumped-storage power plant would be exempted from paying grid tariffs also for the years 2014-2016 on the basis of an appeal to the respective court decision, 50Hertz would have to refund the operator of the pumped-storage power plant (insofar as the operator already paid grid tariffs) about € 50 million per year. As it is unclear whether 50Hertz could recover the loss of grid tariffs (via Sec. 19 StromNEV-surcharge or grid tariffs) for the years 2014-2016 without time delay, there is a profitability and liquidity risk for 50Hertz.

After 50Hertz had, due to non-compliance with the current legal and regulatory framework, terminated the virtual tie line between EnBW's power plant in Lippendorf to TransnetBW's control area in September 2015, EnBW raised a claim against 50Hertz to reinstall the virtual tie line. Furthermore, EnBW requests the Regional Court Berlin to

declare that 50Hertz must reimburse the loss of profit during the non-fulfilment of the contract (EnBW partially claimed the amount of € 0.9 million). In case the court does not grant EnBW the reinstallation of the virtual tie line, but rules in favour of a duty of 50Hertz to compensate for the losses, it must be expected that EnBW will claim another € 8 million in addition to the partially claimed amount. Alternatively, EnBW demands the compensation of € 4.5 million of investment costs they had paid in the 1990s when the power plant was built and connected to the grid of 50Hertz. After an internal assessment of the probability of success of the claims, 50Hertz did not make any provisions in relation to these claims.

#### **Factors which are material for the purpose of assessing business operational risks associated with the Issuer and the Guarantors**

##### **Mismatch between the forecasted and actual volumes forming the basis for the grid tariff calculation may have a negative impact on 50Hertz's liquidity and profit**

Grid tariffs are calculated on the basis of forecasted volumes of capacity respectively consumption. Differences between planned and actual volumes may arise from different sources such as total or partial loss of customers and differing infeed of renewable energy on DSO level.

##### **Changes to the timing and amounts of investments may negatively impact the financial position of 50Hertz**

Uncertainties about the timing and size of the investments e.g. caused by a stop of the *Energiewende* or lack of public acceptance could cause a lower remuneration than expected and a negative carry on costs of debts in the case of mismatch between financing needs and financing activities of 50Hertz. In addition, the customers of 50Hertz, including the power producers, expect to have access to a reliable level of capacity to dispatch power at all times. Consequently, the inability of 50Hertz to maintain sufficient capacity on the grid and make necessary investments may lead to financial penalties being payable by 50Hertz due to, *inter alia*, damages claims by customers.

##### **Counterparty credit risk of the customers of 50Hertz and other TSOs may have a negative impact on 50Hertz**

The German legislation does not explicitly provide for rules to alleviate the TSOs from insolvency risks of their customers, including the DSOs paying the network tariffs, the electricity sales companies paying the EEG surcharge and persons being responsible for running balancing accounts (such as traders and electricity suppliers) (*Bilanzkreisverantwortliche*) in the control areas of the TSOs, as well as the other TSOs and their customers. However, BNetzA stated informally that if a German TSO incurs losses of EEG surcharge payments due to insolvency of an energy supplier, these can be completely recovered via the EEG-mechanism according to the EEG. Apart from that and taking into consideration that it cannot be completely excluded that BNetzA changes its position, it is unclear whether such monies can be recovered through network tariffs, energy law mechanisms or the EEG surcharge.

Apart from the general contingency risk of its contractual partners (e.g. as described above or due to fraud of persons being responsible for running balancing accounts), there is the risk, that persons being responsible for running balancing accounts raise objections against the correctness of the balancing group settlement resulting in a shortfall of revenues.

##### **In the event of transmission fluctuations, disruptions, breakdown of the grid, or non-implementation of emergency measures as prescribed by law, 50Hertz may be held liable for damages by its customers and/or third parties or incur additional costs**

Transmission fluctuations, disruptions, system breakdowns or blackouts that affect 50Hertz's network may result in a failure of 50Hertz to maintain a sufficient and reliable grid capacity and to deliver electricity to customers or to inject energy from power generation facilities, and may expose 50Hertz to liability claims and litigation. Such events may be caused by operational hazards or unforeseen events including, but not limited to, an overload of the very

high voltage network caused by major unscheduled electricity flows, accidents, breakdowns or failures of equipment or processes, major system and network imbalances, human errors, IT systems and processes failures, intrusions of computer viruses, performance below expected levels of capacity and efficiency, natural events such as heavy storms, thunderstorms, floods, earthquakes or landslides and other unforeseen events. 50Hertz may also be liable if emergency measures required under Sec. 13 para 2 of the EnWG have not been carried out dutifully, unless the event qualifies as *force majeure*. The probability of transmission disruptions, as well as required emergency measures, has increased with the increasing distance between the locations of generation and consumption and the volatility of energy in-feed as a result of increasing fluctuating feed-in from renewable energy facilities. The probability of the occurrence of one or more of the abovementioned events may increase if 50Hertz is unable to make necessary investments in the grid, which can be a result of a number of factors, including liquidity, contractor or material constraints, or if competent authorities or other third parties hinder the approval of the necessary operational procedures and/or investments as proposed in 50Hertz's development plans. In addition, different price areas in Germany, which may be introduced due to measures taken to address capacity congestion in the transmission grids in Germany or as a result of proceedings would interfere with established pricing and balancing mechanisms of 50Hertz and may result in additional costs for 50Hertz.

**A failure of the IT systems and processes or a breach of their security measures may have a negative impact on 50Hertz**

50Hertz's operations depend on IT processes, hardware and software, including glass fibre and copper based communication networks. The reliability and continuity thereof are essential in particular for an efficient and reliable operation of the electricity network and the electronic funds transfer. 50Hertz continuously takes measures to improve its IT cybersecurity as well as the IT processes and hardware, software and network protection (e.g. redundancy) but there is no certainty that important system hardware and software failures, viruses, accidents or security breaches will not occur and these could impair 50Hertz's ability to provide all or part of the services or to fulfil other obligations required by law or under the contracts to which it is a party.

**Acts of terrorism, sabotage or crime may adversely affect the operations of the Guarantors**

The Guarantors' electricity network and assets are widely spread geographically and potentially exposed to acts of terrorism, sabotage or crime. Such events could negatively affect the Guarantors' networks or operations and may cause network failures or system breakdowns. Network failures or system breakdowns could, in turn, have a material adverse effect on the Guarantors' financial condition and results of operation, particularly if the destructions caused by acts of terrorism, sabotage or crime are of major importance (e.g. through the reduction of revenues and for incurrence of costs for damages due to the unavailability of some parts or all of the network) or last for a longer period of time.

**Any decisions made or actions taken within companies in which 50Hertz has minority participation (and thus no control) may result in higher costs, lower revenues or a lower profit margin concerning such companies**

In the course of its business, 50Hertz engages in economic activities with other companies through collaborations or joint undertakings, which currently includes minority participations in CORESO SA ("**Coreso**"), European Energy Exchange AG ("**EEX**"), Elia Grid International NV/SA ("**EGI**"), EMCC European Market Coupling Company GmbH i.L. ("**EMCC i.L.**"), Joint Allocation Office S.A. ("**JAO**") and TSCNET Services GmbH ("**TSCNET Services**"). As 50Hertz does not hold a controlling interest in such minority participations 50Hertz cannot ensure that all decisions taken within such companies are approved by 50Hertz or in its interests. In such cases, the decisions made or actions taken may result in higher costs, lower revenues or a lower profit margin concerning the minority participations.

**Accidents at the Guarantors' facilities and involving the Guarantors' assets may have serious consequences**

Accidents that may occur at the Guarantors' facilities or in connection with the use of certain of the Guarantors' assets may result in harm and death of humans, and other serious consequences. As such, the Guarantors may be



exposed to potential claims resulting in significant liabilities, use of financial and management resources and possible harm to their reputation.

**A lack or loss of highly qualified staff may result in insufficient experience and knowhow to meet the strategic objectives**

50Hertz pursues an active human resources policy that aims at maintaining an adequate level of expertise and knowhow in a tight labour market in view of the highly specialised nature of its business. 50Hertz may, however, experience difficulties in attracting and retaining highly qualified staff required to support its operations, implement its investment programme and develop new business fields. Such a lack or loss of highly qualified staff may result in insufficient expertise and knowhow, in unsatisfactory quality levels and in the inability to maintain or operate the grid or complete infrastructure projects on time or meet strategic objectives.

**The Guarantors may not have adequate insurance coverage**

The Guarantors have put into place insurance contracts necessary to operate their business in line with current industry standards. The Guarantors cannot provide an assurance that such insurance will prove to be sufficient and, therefore, adequate insurance may not be available for certain risks whether due to faults, natural disasters, other causes such as damage to overhead lines or cables including sea cables, third party losses, damages or blackout claims in excess of insurance coverage, or losses as a result of terrorism, sabotage, crime etc. Any uninsured financial losses or claims could have a material impact on the business, results of operations and financial condition of the Guarantors.

**A rating downgrade may increase the Issuer's financing costs**

The Issuer's credit ratings influence the Issuer's financing costs. Any actual or anticipated suspension, reduction or withdrawal of a credit rating assigned to the Issuer or any Notes by one or more credit rating agencies may adversely affect the cost and terms and conditions of the Issuer's financings, limit the Issuer's access to the capital markets, harm the Issuer's ability to finance its operations and investments and may also adversely affect the value and trading of the Notes.

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

- 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;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- 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;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of the financial markets; and
- 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.

### **Currency Risk**

A holder of Notes (the "**Holder**") denominated in a foreign currency (i.e. a currency other than the Euro) is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments.

A change in the value of any foreign currency against the Euro, for example, will result in a corresponding change in the Euro value of Notes denominated in a currency other than the Euro and a corresponding change in the Euro value of interest and principal payments made in a currency other than the Euro in accordance with the terms of such Notes. If the underlying exchange rate falls and the value of the Euro correspondingly rises, the price of the Notes and the value of interest and principal payments made thereunder expressed in Euro falls.

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

### **Liquidity Risk**

Application has been made to the Luxembourg Stock Exchange for Notes issued under this Programme to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. In addition, the Programme provides that Notes may be listed on other or further stock exchanges or may not be listed at all. Regardless of whether the Notes are listed or not, there is a risk that no liquid secondary market for the Notes will develop or, if it does develop, that it will not continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain, which may affect the liquidity of the Notes adversely. In an illiquid market, an investor is subject to the risk that he will not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

### **Market Price Risk**

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The Holders of Notes are therefore exposed to the risk of an unfavourable development of market prices of their Notes which may materialise if the Holders sell the Notes prior to the final maturity of such Notes. If a Holder of Notes decides to hold the Notes until final maturity, the Notes will be redeemed at the amount set out in the relevant Final Terms.

### **Risk of Early Redemption**

The applicable Final Terms will indicate if the Issuer has the right to call the Notes prior to maturity (optional call right) at any time against payment of a Call Redemption Amount (as defined and further set out in the Terms and Conditions), on one or several dates or during one or several periods specified in the applicable Final Terms, or by reason of minimal outstanding amount. In addition, the Issuer will always have the right to redeem the Notes if the Issuer is required to pay additional amounts (gross-up payments) on the Notes for reasons of taxation as set out in the Terms and Conditions. If the Issuer redeems the Notes prior to maturity, a Holder of such Notes is exposed to the risk that due to such early redemption his investment will have a lower than expected yield. The Issuer can be expected to exercise its call right if the yield on comparable notes in the capital market has fallen which means that the investor may only be able to reinvest the redemption proceeds in comparable notes with a lower yield. On the other hand, the Issuer can be expected not to exercise its call right if the yield on comparable notes in the capital market has increased. In this event an investor will not be able to reinvest the redemption proceeds in comparable notes with a higher yield. It should be noted, however, that the Issuer may exercise any call right irrespective of market interest rates on a call date.

### **Fixed Rate Notes**

A Holder of a Fixed Rate Note is exposed to the risk that the price of such Note falls as a result of changes in the current interest rate on the capital market ("market interest rate"). While the nominal interest rate of a Fixed Rate Note as specified in the applicable Final Terms is fixed during the life of such Note, the market interest rate typically changes on a daily basis. As the market interest rate changes, the price of a Fixed Rate Note also changes, but in the opposite direction. If the market interest rate increases, the price of a Fixed Rate Note typically falls, until the yield of such Note is approximately equal to the market interest rate. If the market interest rate falls, the price of a Fixed Rate Note typically increases, until the yield of such Note is approximately equal to the market interest rate. If the Holder of a Fixed Rate Note holds such Note until maturity, changes in the market interest rate are without relevance to such Holder as the Note will be redeemed at a specified redemption amount, usually the principal amount of such Note.

### **Zero Coupon Notes**

Zero Coupon Notes do not pay current interest but are typically issued at a discount from their nominal value. Instead of periodical interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A Holder of a Zero Coupon Note is exposed to the risk that the price of such Note falls as a result of changes in the market interest rate. Prices of Zero Coupon Notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

### **Resolutions of Holders**

Since the Terms and Conditions of Notes issued under the Programme provide for meetings of Holders of a series of Notes or the taking of votes without a meeting, the Terms and Conditions of such Notes or the Guarantee may be amended (as proposed or agreed by the Issuer) by majority resolution of the Holders of such Notes and any such majority resolution will be binding on all Holders. Any Holder is therefore subject to the risk that its rights against the Issuer under the Terms and Conditions of the relevant series of Notes are amended, reduced or even cancelled by a majority resolution of the Holders. As stated by the German Federal Court of Justice, any such majority resolution will even be binding on Holders who have declared their claims arising from the Notes due and payable based on the occurrence of an event of default but who have not received payment from the Issuer prior to the amendment taking effect. According to the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz* – "**SchVG**"), the relevant majority for Holders' resolutions is generally based on votes cast, rather than on the aggregate principal amount of the relevant Notes outstanding. Therefore, any such resolution may effectively be passed with the consent of less than a majority of the aggregate principal amount of the relevant Notes outstanding.

### **Holdings' Representative**

If the Notes provide that the Holders of a series of Notes are entitled to appoint a Holdings' representative (the "**Holdings' Representative**") by a majority resolution of such Holders or if a Holdings' Representative has been appointed in the Terms and Conditions of a series of Notes it is possible that a Holder may be deprived of its individual right to pursue and enforce its rights under the Terms and Conditions against the Issuer, such right passing to the Holdings' Representative who is then exclusively responsible to claim and enforce the rights of all the Holders of the relevant series of Notes.

If no Holdings' Representative is initially appointed, any appointment of a Holdings' Representative post issuance of Notes will require a majority resolution of the Holders of the Notes. If the appointment of a Holdings' Representative is delayed, this will make it more difficult for Holders to take collective action to enforce their rights under the Notes and the Guarantee.

### **Quorum requirement and SchVG risks in case of certain events of default**

The Terms and Conditions provide that, in case of certain events of default, any notice declaring the Notes due and payable shall become effective only when the Fiscal Agent has received such default notices from Holders representing at least 25 per cent. of the aggregate principal amount of Notes then outstanding. Under the SchVG,

even if a default notice is given by a sufficient number of Holders of Notes, this could be rescinded by majority resolution within three months. A simple majority of votes would be sufficient for a resolution on the rescission of such acceleration but, in any case, more Holders would have to consent to a rescission than have delivered default notices.

Holders should be aware that, as a result, they may not be able to accelerate their Notes upon the occurrence of certain events of default, unless the required quorum of Holders delivers default notices and such acceleration is not rescinded by majority resolution of the Holders.

### **Credit ratings**

The Final Terms may indicate that a credit rating has been or will be assigned to one or several Tranches of Notes. Such rating, as well as the credit rating assigned to the Issuer, may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be reduced or withdrawn entirely by the credit rating agency if, in its judgment, circumstances so warrant. Any actual or anticipated suspension, reduction or withdrawal of the credit rating assigned to the Issuer or any Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of the Issuer's financings and could adversely affect the value and trading of the Notes.

### **Risks in relation to FATCA**

Whilst the Notes are in global form and held by or on behalf of Clearstream Banking AG, Frankfurt am Main ("**CBF**"), Clearstream Banking, société anonyme Luxembourg ("**CBL**") or Euroclear Bank SA/NV Brussels ("**Euroclear**" and together with CBL, the "**ICSDs**"), it is not expected that the reporting regime and potential withholding tax imposed by Sections 1471 through 1474 (including any agreements under Section 1471(b)) of the United States Internal Revenue Code of 1986 (the "**Code**"), certain intergovernmental agreements relating thereto (each, an "**IGA**"), or laws implementing any foregoing (collectively "**FATCA**") will affect the amount of any payment received by CBF or the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary is not entitled (or has failed to establish its eligibility) to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's and the Guarantors' obligations under the Notes are discharged once one of them has paid CBF or the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer and the Guarantors have therefore no responsibility for any amount thereafter transmitted through CBF or the ICSDs and subsequent custodians or intermediaries.

## OVERVIEW OF THE PROGRAMME

The following overview is a general description of the Programme and is qualified in its entirety by the remainder of this Prospectus and, in relation to the terms and conditions of any Tranche, the applicable Final Terms. Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meaning in this overview.

<b>Issuer</b>	Eurogrid GmbH
<b>Guarantors</b>	50Hertz Transmission GmbH 50Hertz Offshore GmbH
<b>Description</b>	Guaranteed Debt Issuance Programme
<b>Size</b>	Up to € 5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arrangers</b>	BNP Paribas Commerzbank Aktiengesellschaft Helaba ING Mitsubishi UFJ Securities International plc Rabobank The Royal Bank of Scotland UniCredit Bank AG
<b>Dealers</b>	BNP Paribas Commerzbank Aktiengesellschaft Helaba ING Mitsubishi UFJ Securities International plc Rabobank The Royal Bank of Scotland UniCredit Bank AG
	The Notes may be issued to one or more of the Dealers and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis.
<b>Fiscal Agent and Paying Agent</b>	ING Bank N.V.
<b>Paying Agent in Germany</b>	ING-DiBa AG
<b>Calculation Agent</b>	The Final Terms will indicate if a Calculation Agent is appointed.

<b>Method of Issue</b>	<p>The Notes will be distributed on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the relevant Final Terms.</p> <p>Notes will be issued on a continuous basis in Tranches of Notes, each Tranche consisting of Notes which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and are identical in all respects, but which may have different issue dates, interest commencement dates, issue prices and dates for first interest payments may form a series of Notes. Further Notes may be issued as part of existing series.</p>
<b>Free transferability</b>	The Notes are freely transferable.
<b>Issue Price</b>	Notes may be issued at an issue price which is at par, or at a discount to or premium over par, as stated in the applicable Final Terms.
<b>Form of Notes</b>	<p>The Notes will be issued in bearer form.</p> <p>The Notes will either be represented by a permanent global note without coupons or initially be represented by a temporary global note without coupons which shall be exchanged for a permanent global note on a date not earlier than 40 days and not later than 180 days after the date of issue of the Notes upon delivery of certifications to the effect that the beneficial owner or owners of the Notes is/are not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Notes can be issued in new global note or classical global note form.</p>
<b>Clearing Systems</b>	Clearstream Banking AG, Frankfurt am Main, or Clearstream Banking, société anonyme Luxembourg and Euroclear Bank SA/NV Brussels as operator of the Euroclear System, as stated in the applicable Final Terms
<b>Currencies</b>	Subject to compliance with all relevant laws and regulations, Notes may be issued in any currency agreed between the Issuer, the Guarantors and the relevant Dealers.
<b>Specified Denomination</b>	€ 100,000 (or its equivalent in any other currency as at the relevant date of issuance).
<b>Fixed Rate Notes</b>	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms.
<b>Zero Coupon Notes</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it. There will be no periodic payments of interest on the Zero Coupon Notes.
<b>Interest Periods and Interest Rates</b>	With regard to Fixed Rate Notes, the relevant interest periods, Interest Payment Dates and the applicable Interest Rate will be set out in the relevant Final Terms.
<b>Redemption</b>	Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at its Final Redemption Amount

	on the Maturity Date, each as set out in the relevant Final Terms.
<b>Optional Redemption</b>	The Final Terms issued in respect of each tranche of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Holders at certain Put Redemption Dates and/or at the option of the Issuer (either in whole or in part), and if so the terms applicable to such redemption. A redemption of Notes at the option of the Issuer may be possible (i) for Reasons of Minimal Outstanding Principal Amount, (ii) at specific Call Redemption Dates or Call Redemption Periods at specified Call Redemption Amounts, or (iii) at any time at Early Redemption Amount (being the higher of its Final Redemption Amount and the Present Value (as defined in §5 (7) of the Terms and Conditions)), all as specified in the relevant Final Terms.
<b>Early Redemption for Reasons of Taxation</b>	All Notes will be redeemable at the option of the Issuer prior to their stated maturity for reasons of taxation.
<b>Status of Notes</b>	The obligations under the Notes and the Guarantee constitute unsecured and unsubordinated obligations of the Issuer or the Guarantors, respectively, all as set out in the Terms and Conditions or the Guarantee.
<b>Guarantee</b>	<p>Upon establishment of the Programme each Guarantor jointly and severally and unconditionally and irrevocably guaranteed by way of independent payment obligation, the due and punctual payment of the principal of, and interest on, the Notes issued under the Programme and any other amounts which may be payable under the relevant Note, as and when the same shall become due, in accordance with the Terms and Conditions.</p> <p>The Guarantee is subject to Limitations on Enforcement, see “<i>Guarantee and Negative Pledge – (9) Limitations on Enforcement</i>”.</p>
<b>Negative Pledge</b>	The Terms and Conditions and the Guarantee contain a negative pledge provision. See “ <i>Terms and Conditions of the Notes — § 2 Status, Negative Pledge and Guarantee</i> ” and “ <i>Guarantee and Negative Pledge – (4) Negative Pledge</i> ”, respectively.
<b>Events of Default</b>	The Terms and Conditions provide for events of default entitling Holders to demand immediate redemption of the Notes. See “ <i>Terms and Conditions of the Notes — § 9 Events of Default</i> ”.
<b>Cross Default</b>	The Terms and Conditions contain a cross default clause. See “ <i>Terms and Conditions of the Notes — § 9 Events of Default, lit. d)</i> ”.
<b>Ratings</b>	<p>Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating and the relevant rating agency will be specified in the relevant Final Terms.</p> <p>A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at</p>

<b>Withholding Tax</b>	<p>any time by the assigning rating agency.</p> <p>All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Germany, subject to customary exceptions, all as described in “<i>Terms and Conditions of the Notes — § 7 Taxation</i>”.</p>
<b>Governing Law</b> <b>Approval of Prospectus;</b> <b>Listing and Admission to Trading</b> <b>of Notes</b>	<p>The Notes and the Guarantee are governed by German law.</p> <p>Application has been made to the CSSF for its approval of this Prospectus as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under this Programme to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. Notes may also be listed on other or further stock exchanges, or may not be listed at all.</p>
<b>Selling Restrictions</b>	<p>For selling restrictions in the United States, the United Kingdom, Luxembourg and Japan see “<i>Subscription and Sale – Selling Restrictions</i>”.</p>



## BUSINESS DESCRIPTION OF THE ISSUER

### General Information

The legal and commercial name is Eurogrid GmbH (the “**Issuer**”).

The Issuer operates under the laws of Germany and was incorporated as a limited liability company on 26 February 2010. The Issuer has its corporate seat in Berlin, Germany and its registered office is at Eichenstraße 3A, 12435 Berlin. The Issuer is registered with the commercial register of the local court (*Amtsgericht*) of Charlottenburg under registration number HRB 130427 B. The telephone number of the Issuer is +49-30-5150-2363.

There have been no relevant recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

### Object of the Issuer

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

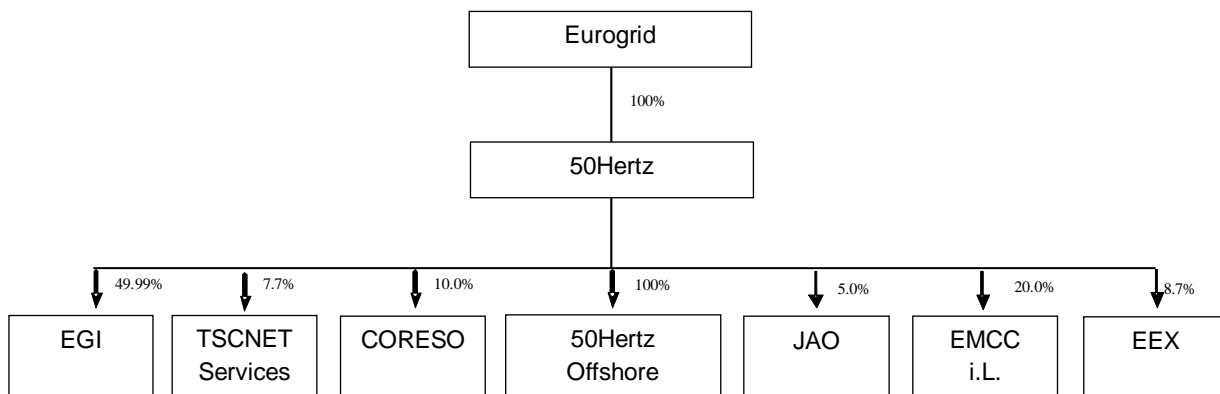
- 2.1 *The object of the Company shall be to acquire, hold and manage participations in other businesses, in particular in the transmission grid operation sector.*
- 2.2 *The Company may enter into all transactions and take all measures related to or directly or indirectly useful for the object of the Company.”*

### Business Overview

The Issuer is a holding company and as such, its principal asset is its investment in 50Hertz and its subsidiaries. See “*Business Description of the Guarantors - 50Hertz Transmission GmbH*” and “*Business Description of the Guarantors - 50Hertz Offshore GmbH*” for a description of 50Hertz and its subsidiaries, including 50Hertz Offshore.

### Organisational Structure

The Issuer is the parent company of the Group. The following diagram depicts, in simplified form, the organisational structure of the Issuer and 50Hertz and its subsidiaries, including minority participations, as at the date of this Prospectus:



A more detailed description of 50Hertz can be found under “*Business Description of the Guarantors - 50Hertz Transmission GmbH*”.

A more detailed description of the subsidiaries of 50Hertz can be found under “*Business Description of the Guarantors - 50Hertz Transmission GmbH – Subsidiaries*”.

## **Share Capital**

The registered share capital of the Issuer amounts to € 25,000 comprising one share with a nominal value of € 25,000, which has been issued and fully paid up.

## **Major Shareholders**

The share capital of the Issuer is fully held by Eurogrid International CVBA/SCRL, a company incorporated in Brussels, Belgium and registered under 0823.637.886 RPR. The Issuer is indirectly owned by Elia System Operator N.V./S.A. and Elia Asset N.V./S.A. (“**Elia**”) together holding 60 per cent. of the shares of Eurogrid International CVBA/SCRL and IFM Global Infrastructure Fund (the “**IFM Fund**”), a fund advised by IFM Investors Pty Ltd (“**IFM Investors**”) holding - via its subsidiary Global InfraCo S.à r.l. (“**Global InfraCo**”) - 40 per cent. of the shares of Eurogrid International CVBA/SCRL). Elia and the IFM Fund together are hereinafter referred to as the “**Shareholders**”.

Elia is a public limited liability company incorporated in Belgium. Elia’s core business is the operation, maintenance and development of very high voltage (380 kV, 220 kV and 150 kV) and high voltage (70 kV, 36 kV and 30 kV) networks to maintain a reliable electricity flow from electricity producers, whether located in Belgium or elsewhere in Europe, to distributors and large corporate clients. Elia owns 100 per cent. of the Belgian very high voltage electricity network and owns (or has the right to use) approximately 94 per cent. of the Belgian high voltage electricity network. In addition to its system operator activities in Belgium, Elia also offers a range of consultancy and engineering activities. Elia also continuously aims at improving the functioning of the open electricity market by acting as a market facilitator, both in the context of a single European electricity market as well as in the framework of the integration of renewable energy, in accordance with national and European policies.

IFM Investors is an investment management company with over € 40 billion funds under management invested across infrastructure, private equity, private debt, cash and publicly traded equities. IFM Investors acts as the advisor to the IFM Fund, which owns investments in various infrastructure assets across Europe and North America through its trustee Codan Trust Company (Cayman) Limited. In addition to 50Hertz (via Eurogrid), the IFM Fund’s other investments in Europe include Anglian Water Group, a regulated water utility in the UK, Arqiva, a telecommunications provider in the UK, Manchester Airports Group, an operator of four airports in the UK, Vienna Airport in Austria and Veolia Energia Polska, a district heating network in Poland. The IFM Fund also owns investments in North America, including Colonial Pipeline Company, a refined products pipeline, Duquesne Light, a regulated transmission and distribution utility in Pittsburgh, Essential Power, a portfolio of predominantly gas-fired generation plants in the Northeast of the United States, Freeport LNG, an LNG export facility under construction in Texas and Concesionaria Mexiquense (Conmex), a toll road in Mexico and a further toll road called Indiana Toll Road, in the United States.

## Administrative, Management, and Supervisory Bodies

The Issuer is managed by a board of managing directors comprising two managing directors (*Geschäftsführer*) who are appointed by the Shareholders. Their details are shown below:

Name	Responsibility	Principal activities outside the Issuer
Werner Kerschl	Managing Director	Investment Director, Infrastructure, IFM Investors (UK) Ltd
Tom Schockaert	Managing Director	Head of Mergers & Acquisitions and Investor Relations, Elia System Operator N.V./S.A.

The business address of both managing directors is Eichenstraße 3A, 12435 Berlin, Germany.

## Administrative, Management, and Supervisory Bodies Conflicts of Interest

None of the members of the board of managing directors have declared that there are any potential conflicts of interest between any duties to the Issuer and their private interests or other duties.

## Fiscal Year

The fiscal year of the Issuer is the calendar year.

## Financial Information

The audited consolidated financial statements of the Issuer as of and for the fiscal years ended 31 December 2014 and 31 December 2015 which have been prepared in accordance with the provisions of the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (*Handelsgesetzbuch* – "**HGB**"), and the respective qualified audit opinions (*Bestätigungsvermerke*) thereon, are incorporated by reference into this Prospectus.

## Statutory Auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Friedrichstraße 140, 10117 Berlin, Federal Republic of Germany ("**EY**") has been the statutory auditor of the Issuer for the fiscal years ended 31 December 2014 and 31 December 2015. EY has audited in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)*) the consolidated financial statements prepared in accordance with IFRS ("**IFRS Consolidated Financial Statements**"), of the Issuer as of and for the fiscal years ended 31 December 2014 and 31 December 2015.

EY has issued an audit opinion on the IFRS Consolidated Financial Statements of the Issuer as of and for the fiscal year ended 31 December 2014 which contains the following qualification: "With the exception of the following qualification, our audit has not led to any reservations: Claims from regulatory issues of EUR 66.1m and obligations from regulatory issues of EUR 463.3m have been recognized in the statement of financial position. In accordance with the current pronouncements issued by the IASB, it is currently in dispute whether these fulfill the definition of an asset or liability respectively pursuant to IFRSs. The accounting principles for regulatory claims and obligations developed by the IASB, which will allow such items to be recognized as an asset or liability in the future, have not yet been finally published and, accordingly, have not been transposed into European law. Earnings before taxes have therefore been understated by EUR 89.2m."

EY has issued an audit opinion on the IFRS Consolidated Financial Statements of the Issuer as of and for the fiscal year ended 31 December 2015 which contains the following qualification: “With the exception of the following qualification our audit has not led to any reservations: Obligations from regulatory issues of EUR 53.1m (prior year: EUR 397.2m) and related deferred tax assets / liabilities have been recognized in the statement of financial position. The change in the claims and obligations from regulatory issues and the deferred taxes thereon result in a change in group equity recognized through profit or loss of EUR 242.7m in the fiscal year from 1 January to 31 December 2015 (increase in group equity) (prior year: decrease of EUR 63.1m). The IASB has been developing accounting principles for regulatory claims and obligations since 2014, but had not yet published any standard at the time that these consolidated financial statements were issued. According to the IFRS interpretations applied in Germany, it is not currently possible to recognize claims or obligations from regulatory issues.”

EY is member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin.

### **Statement of No Material Adverse Change**

There has been no material adverse change in the prospects of the Issuer since 31 December 2015.

### **Significant Change in the Financial or Trading Position**

There has been no significant change in the financial or trading position of the Group since 31 December 2015.

### **Legal and Arbitration Proceedings**

The Issuer has not 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 have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

### **Material Contracts**

The Issuer is party to a profit and loss transfer agreement with 50Hertz, see “*Business Description of the Guarantors - 50Hertz Transmission GmbH – Material Contracts*”.

### **Ratings**

As of the date of this Prospectus, Moody's Investor Services<sup>1,2</sup> has assigned the long-term credit rating of Baa1 to the Issuer.

A credit rating assesses the creditworthiness of an entity and informs an investor therefore about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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<sup>1</sup> Moody's Investor Services is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as most recently amended by Regulation (EU) No 462/2013 (the “**CRA Regulation**”).

<sup>2</sup> The European Securities and Markets Authority publishes on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that update list in the Official Journal of the European Union within 30 days following such update.

## **Description of other indebtedness**

On 10 June 2015, the Issuer has issued a € 500 million bond under this Programme which will become due for repayment on 10 June 2025 and bears interest at a rate of 1.875 per cent. p.a.. On 3 November 2015 the Issuer has issued a € 750 million bond under this Programme which will become due for repayment on 3 November 2023 and bears interest at a rate of 1.625 per cent p.a.. On 4 November 2015 the Issuer has issued a € 140 million bond under this Programme which will become due for repayment on 4 November 2030 and bears interest at a rate of 2.625 per cent p.a. The Issuer has issued a € 500 million bond under its € 2.5 billion EMTN programme dated 8 October 2010 which will become due for repayment in October 2020, and a € 50 million registered bond with redemption in December 2044. The Issuer has access to a € 750 million syndicated revolving credit facility, agreed upon in March 2015 with the Dealers and extended in March 2016, which is terminating in March 2021. In addition, the Issuer has access to a € 150 million overdraft facility in connection with its cash management accounts available until further notice. These credit facilities provide access to additional liquidity for the Issuer, enabling it to on-lend amounts to the Guarantors and their subsidiaries and affiliates for purposes including capital expenditure, working capital requirements and EEG balancing transactions of the Group. The total aggregate commitments of, and the amounts outstanding pursuant to, the credit facilities may vary over time depending on the liquidity needs of the Issuer and the Group. The Guarantors of the Notes guarantee the obligation of the Issuer under such facilities.

## BUSINESS DESCRIPTION OF THE GUARANTORS – 50HERTZ TRANSMISSION GMBH

### General Information

The legal and commercial name is 50Hertz Transmission GmbH (“**50Hertz**”).

50Hertz operates under the laws of Germany and was incorporated as a limited liability company on 10 October 2001. The company has its corporate seat in Berlin, Germany and has its registered office at Eichenstraße 3A, 12435 Berlin. 50Hertz is registered in the commercial register at the local court (*Amtsgericht*) of Charlottenburg under registration number HRB 84446 B. The telephone number of 50Hertz is +49-30-5150-0.

There have been no relevant recent events particular to 50Hertz which are to a material extent relevant to the evaluation of 50Hertz’s solvency.

### Object of 50Hertz

Article 2 of 50Hertz’s articles of association (as translated from the German original), regarding its objects, reads as follows:

*“2.1 Object of the Company shall be the construction, acquisition, operation, commercial use and provision of energy supply and telecommunication systems, in particular of a transmission network for electrical power with lines, switching devices and substations including other auxiliary equipment and the provision of all related services.*

*2.2 The Company may enter into all transactions and take all measures serving directly or indirectly the object of the Company. In particular, the Company may acquire or incorporate companies of the same or similar kind, and participate in such domestic and foreign companies, and enter into cooperation and enterprise agreements.”*

### Business Description

#### Regulatory Framework

##### **Relevant German Legislation and TSO Obligations**

In order to understand the business of 50Hertz which operates in a regulated environment, an overview on the applicable regulatory framework is provided below:

The German legal framework for electricity markets is laid down in various pieces of legislation. The key law is the German Energy Industry Act (*Energiewirtschaftsgesetz* — “**EnWG**”), which defines the overall legal framework for the gas and electricity industry in Germany. The EnWG is supported by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current regime of incentive regulation, regulatory accounting methods and network access arrangements, including but not limited to:

- The Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung* — “**StromNEV**”)) which establishes, *inter alia*, principles (*Grundsätze*) and methods for the network tariff calculations and further obligations of network operators;
- The Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzzugangsverordnung* — “**StromNZV**”)) which, *inter alia*, sets out the further detail on how to grant access to the transmission systems grids (and other types of grids) by way of establishing the balancing account system (*Bilanzkreissystem*), scheduling of electricity deliveries, control power and further general obligations, e.g. capacity shortage (*Engpassmanagement*), publication obligations, metering, minimum requirements for various types

of contracts and the duty of certain network operators to manage the balancing account system for renewable energy; and

- The Ordinance on Incentive Regulation (*Verordnung über die Anreizregulierung der Energieversorgungsnetze (Anreizregulierungsverordnung — “ARegV”)*) which sets out the basic rules for incentive regulation of TSOs and other network operators (as further described below in “*Tariff Setting in Germany*”). It also describes in general terms how to benchmark efficiency, which costs enter the efficiency benchmarking, the method of determining inefficiency and how this translates into yearly targets for efficiency growth.

All TSOs in Germany are subject to a number of obligations as a result of, *inter alia*, the following laws and ordinances:

- *Network expansion obligations:* All German network operators are obliged to operate, maintain and, in line with demand, optimise and expand their network systems (Sec. 11 para. 1 EnWG). Based on this more general obligation, the German TSOs are obliged to set-up so-called network development plans (*Netzentwicklungspläne - “NEP”*) in order to safeguard a coordinated development and expansion of the German network systems. The NEP is subject to consultation and confirmation by the BNetzA. By confirmation of the NEP BNetzA confirms the network expansion projects included in the NEP. At least every four years BNetzA provides the NEP as confirmed by it to the Federal Government as draft for the federal demand plan (*Bundesbedarfsplan*) which is binding for the TSOs as to implementing the listed expansion measures as well as for the planning authorities as to the planning law and energy law related necessity of the measures. Further statutes, such as the Network Expansion Acceleration Act (*Netzausbaubeschleunigungsgesetz*) and Energy Line Expansion Act (*Energieleitungsausbaugesetz*), further promote the network expansion. The costs associated with such network expansion measures can be included in the network fee calculation.
- *Connection obligations in respect of power generation facilities:* The EnWG sets out the general rules for connection of power generation facilities. According to these rules, the German TSOs must connect power generation facilities to their network on technical and economic conditions that are appropriate, non-discriminatory, transparent, and no less favourable than the network operator would apply to itself or to affiliated companies. TSOs can refuse a connection if they prove that the connection is not possible or unreasonable for operational, technical or economic reasons. The details of the procedures are laid down, *inter alia*, in the *Kraftwerks-Netzanschluss-Verordnung (“KraftNAV”)*.
- Due to its huge uncertainties and negative effects in practice, the aforementioned *network connection regime as regards offshore wind farms* was radically changed with a major amendment of the EnWG dating 28 December 2012. The current law foresees now a so-called offshore network development plan (*Offshore-Netzentwicklungsplan – “O-NEP”*) to harmonise the further development of cable connections in accordance with the construction of new wind farms. In contrast to the old regime, cable connections shall now be provided for clusters of wind farms to ensure a more efficient and reliable network connection. Network connection capacity will then be assigned to specific wind farms by the BNetzA after consultation with the Federal Maritime and Hydrographic Agency. Thus, the O-NEP, which has been published in 2013 for the first time, now contains detailed provisions with regard to its future implementation and creates a reliable basis for 50Hertz. Furthermore, according to Sec. 17d EnWG, German TSOs are obligated to connect at their expense offshore wind farms according to the provisions of the O-NEP. The costs incurred in connection with this obligation are shared among all German TSOs.

- *EEG and AusglMechV obligations:* To promote the use of renewable energy facilities, the former Renewable Energy Act (2009) provided for a system of fixed tariffs for electricity generated from renewable sources which has now been replaced for new facilities by so-called market premiums according to the current EEG that came into effect as of 1 August 2014. The German TSOs have to purchase the energy generated by renewable energy facilities either connected directly to their network or being connected to distribution system operators (“**DSOs**”) who then pass the electricity on to the TSO level and pay such fixed tariffs or market premiums to the plant operators or reimburse prior DSO payments if the facility is connected to their network. Taking into account regional differences in the generation of renewable energy, the EEG provides in Sec. 58 EEG for a nationwide equalisation mechanism amongst the TSOs for the costs associated with this obligation. As a result, the four TSOs in Germany share these costs amongst themselves based on an agreed mechanism, technical proceedings and necessary information exchange. As regards selling of the electricity produced by the renewable energy facilities, the AusglMechV is applicable since 1 January 2010 and was supplemented by the Balancing Mechanism Implementation Ordinance, (*Verordnung zur Ausführung der Verordnung zur Weiterentwicklung des bundesweiten Ausgleichsmechanismus* – “**AusglMechAV**”). Under this new ordinance, the TSOs must sell the infeed from renewable energy facilities on the day-ahead or intraday markets of a power exchange. The costs related to meeting the EEG obligations, including the associated costs of managing and financing them, are treated as pass-through costs. In cases when there is a difference between actual costs and actual revenues in a given year, the net costs are recovered in the following years.
- *Combined Heat and Power Act (“**CHP**” act or “**KWKG**”):* The latest amendment of the KWKG came into effect as of 1 January 2016. Regardless of these recent changes, the stated purpose of the law is “to make a contribution” to increase the electricity production from Combined Heat and Power (CHP) plants or cogeneration in Germany towards 110 TWh until 2020 and 120 TWh until 2025. To ensure this aim, the KWKG defines a support mechanism for CHP plants and certain newly built or expanded heat networks. The law places a duty on network operators to connect certain eligible types of CHP plants and to prioritise the feed-in of their electricity. Whilst operators of a CHP plant with a CHP capacity exceeding 100 kW are obliged to direct marketing, operators of smaller CHP plants may opt for the purchase of the CHP energy by the network operator. If such a CHP plant is connected to the DSO level, occurring costs of the DSO can be passed on to the upstream TSOs who share them pro rata to ensure that financial burdens are equally shared amongst all network operators. The equalised costs are then passed back to the downstream networks in form of a uniform nationwide “KWK-surcharge” which will then be paid by the end consumers together with the respective network fees.
- *Obligations in context with individual grid tariffs according to StromNEV:* Grid users can apply for so-called individual grid tariffs which are, compared to the standard grid tariffs, lower and take into account that particularly huge industrial grid users contribute to a permanent and steady usage of the network system. The TSOs are obligated to reimburse DSOs for loss of income resulting from such lower individual grid tariffs. The TSOs then balance their respective compensation payments towards DSOs and their own loss of income amongst each other according to a specific distribution key. The financial burden is then to be allocated as a surcharge to all end consumers.
- *Obligations according to AbLaV:* According to AbLaV facility operators connected to the network can offer detachable load (*abschaltbare Leistungen*) to their respective TSO. The TSO has to compensate the facility-operators. The costs arising from AbLaV are allocated in accordance with Sec. 18 according to Sec. 9 KWKG as a surcharge to all end consumers. AbLaV is subject to a revision; an amended version is expected to be in force by mid of 2016.



## **Regulatory agencies in Germany**

The regulatory agencies for the energy sector in Germany are the Federal Network Agency, (*Bundesnetzagentur* — “**BNetzA**”), in Bonn for network systems to which 100,000 or more network users are directly or indirectly connected and the specific regulatory authorities in the respective federal states for network systems to which less than 100,000 network users are directly or indirectly connected. The regulatory agencies are, *inter alia*, in charge of ensuring non-discriminatory third-party access to networks and monitoring the tariffs levied by the TSOs. 50Hertz and 50Hertz Offshore are subject to the authority of the BNetzA.

## **Tariff Setting in Germany**

The tariff regulation mechanism in Germany is determined by EnWG, StromNEV and ARegV. The grid tariffs are calculated based on the revenue cap (Sec. 17 ARegV). The revenue cap is determined by the BNetzA for each TSO and for each regulatory period. The revenue cap can be adjusted to account for specific cases provided for in the ARegV. The network operators are not allowed to retain revenue in excess of their individually determined revenue cap. If network operators nevertheless retain revenues in excess of their individually determined revenue cap a compensation mechanism applies that leads to the reduction of future tariffs (Sec. 5 ARegV). Each regulatory period lasts five years, and the second regulatory period started on 1 January 2014 and will end on 31 December 2018. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under specific circumstances that are accounted for in the relevant laws) are allowed to agree to individual tariffs according to Sec. 19 StromNEV (for example, in the case of sole use of a network asset).

For the purposes of the revenue cap, the costs incurred by a network operator are classified into two categories as follows:

- Permanently non-influenceable costs (“**PNIC**”): these costs are generally direct pass through costs to customers and are recovered in full, albeit with a two year time lag, unless stated otherwise. The cost items recognized in the PNIC are defined in the ARegV and include a selected number of allowed cost items, such as worker council costs, operational taxes, cross-border transmission capacity auction revenues. In addition, the capital investments that have been allowed in the investment measures (“**IM**”) are also considered as PNIC until certain conditions are fulfilled and the investments become a part of the regulated asset base. These costs are passed through without time lag. The allowance for IM within PNIC includes remuneration for return on equity (based on a cap of 40 per cent.), cost of debt (also subject to a cap), depreciation, imputed trade tax, and operational expenditure (currently at a fixed rate of 0.8 per cent. of the capitalised investment costs of the respective recognised onshore investments or 3.4 per cent. for offshore connection investments). All OPEX and CAPEX related to an approved IM which are reimbursed via the grid tariffs during the last three years of the approval phase for the respective IM will be deducted from the revenue cap distributed over a 20 years period, according to BNetzA starting after the approval phase and with the roll-over of the investment in the regulated asset base (so called claw back). Furthermore, the costs relating to control power, grid losses and redispatch as well as costs from European initiatives are also considered as PNIC based on a procedural regulation mechanism.
- Temporary non-influenceable costs (“**TNIC**”) and influenceable costs (“**IC**”): TNIC and IC are all costs that do not classify as PNIC, e.g. maintenance costs. TNIC are all respective costs which are deemed fully efficient. They are included in the revenue cap, taking into account an annual adjustment for inflation and a general productivity factor for the industry (currently 1.5 per cent. per annum in the second regulatory period). The IC are also included in the revenue cap. The IC are annually adjusted with regard to inflation and a general productivity factor, but in addition, IC are also subject to an individual efficiency factor (with 50Hertz being deemed 100 per cent. efficient for the second regulatory period there are no IC, no inefficient costs). The efficiency factor provides an

incentive to the TSO to reduce or eliminate the inefficient costs over the course of the regulatory period. If a grid operator is deemed 100 per cent. efficient the full respective cost volume is allocated to TNIC, thus the cost basis (excluding PNIC) is only adjusted with regard to inflation by a general inflation factor computed based on a statutorily fixed formula. In addition, the current incentive mechanism provides for the use of a quality factor which could also be applied vis-à-vis the TSOs but the criteria and implementation mechanism for such a quality factor for TSOs is yet to be established by the BNetzA. Both TNIC and IC include the capital costs (i.e. remuneration for return on equity (based on a cap of 40 per cent.), cost of debt (also subject to a cap), depreciation, and imputed trade tax for assets which are included in the base year and do not qualify as PNIC).

With regard to return on capital, the BNetzA provides separate revenue allowances for the return on equity and cost of debt. For the allowed return on equity, which is included in the TNIC/IC for assets belonging to the regulatory asset base and the PNIC for assets approved in IM, the return on equity for the second regulatory period is set at 7.14 per cent. for investments made before 2006 and 9.05 per cent. for investments made since 2006, based on 40 per cent. of the total asset value regarded as “financed by equity” with the remainder of the investment treated as “quasi-debt”. The return on equity is calculated before corporate tax and after imputed trade tax. Post tax, this return on equity for second regulatory period would result in a rate of 5.83 per cent. for investments made before 2006 and 7.39 per cent. for investments made since 2006. The return on equity rates is re-determined by the BNetzA for every regulatory period. Therefore, a new equity remuneration rate will apply for the third regulatory period from 2019 onwards and will be determined in 2016. Due to the development at the financial markets (decreasing interest rates) the new equity remuneration rate is expected to be lower than the current one. With respect to the cost of debt, the allowed cost of debt related to TNIC/IC is capped if it cannot be proven as being in line with the market (marktkonform). The allowed cost of debt related to PNIC incurred by approved investment measures is capped at the lower of the actual cost of debt or cost of debt as calculated in accordance with a BNetzA determination - unless exceeding cost of debt is proven as being in line with the market.

In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG, CHP/KWKG and offshore obligations, and other obligations like the individual grid tariffs mechanism acc. to StromNEV and the AbLaV subject to surcharges.

### ***European Regulation and Laws***

The activities of 50Hertz are influenced not only by the regulatory framework in Germany, but also by European Union regulations and laws which are to be implemented into German law. In respect of electricity, the Third Energy Package that was adopted in 2009 includes *inter alia* a new electricity directive (Directive 2009/72/EC, the “**Third Electricity Directive**”) and a new regulation on cross-border exchanges (Regulation 714/2009).

The Third Energy Package includes also Regulation (EC) 713/2009 establishing an Agency for the Cooperation of Energy Regulators (“**ACER**”), which is entitled to handle within its competences electricity matters. ACER is a decentralised body of the European Union with legal personality. It shall issue opinions on all questions related to the field of energy regulators. It can participate in the creation of network codes in the fields of electricity and gas and it can make decisions regarding cross-border infrastructure within its competences, including derogations from certain provisions in the applicable regulations.

Regulation (EC) 714/2009, also part of the Third Energy Package, sets out the areas in which network codes shall be developed. Network codes are sets of rules which apply to specific areas of the energy sector. They are based on framework guidelines developed by ACER. European Network of TSOs for Electricity (“**ENTSO-E**”), a group consisting of all European TSOs, then has to draft the network codes. They become binding after being adopted by the European Commission as a regulation via the comitology procedure. In August 2015, the first Network Code (Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management - CACM) came into effect. It establishes obligations on the

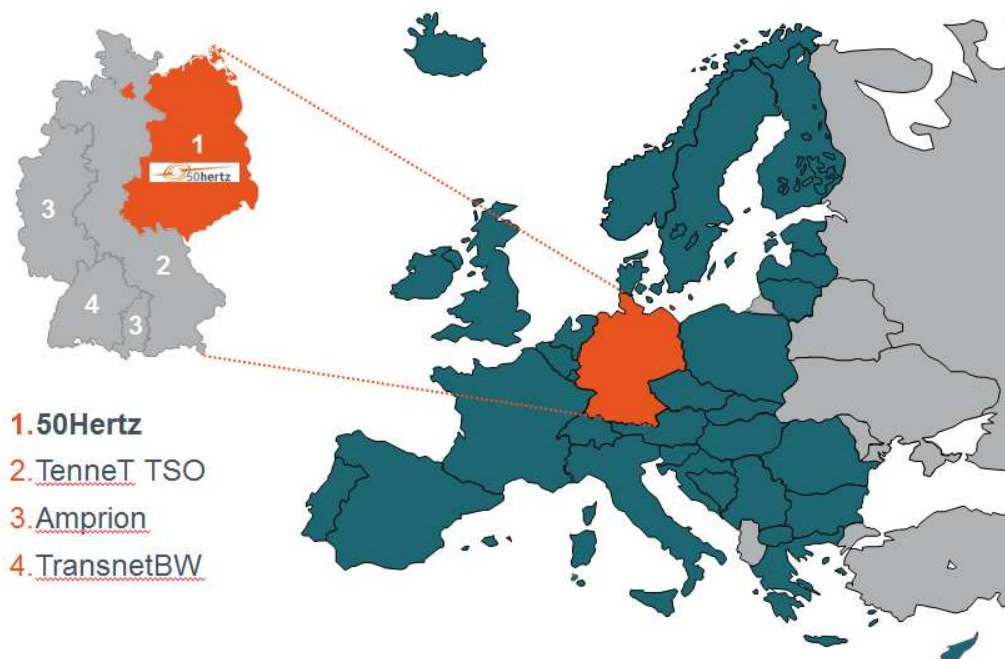
European TSOs to cooperate on facilitating cross border energy exchanges with the aim to implement the European internal energy market. It is expected that several other network codes will be published in 2016 and 2017 covering further market and operational issues of the TSOs.

In 2015, the European Commission adopted "A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy". As part of this Energy Union strategy, the European Commission also organised a public consultation on a redesign of the European electricity market. Possible amendments of the market design (regional cooperation of TSOs, strengthening ENTSO-E, increasing ACER's legal powers) might have an impact on the business of 50Hertz.

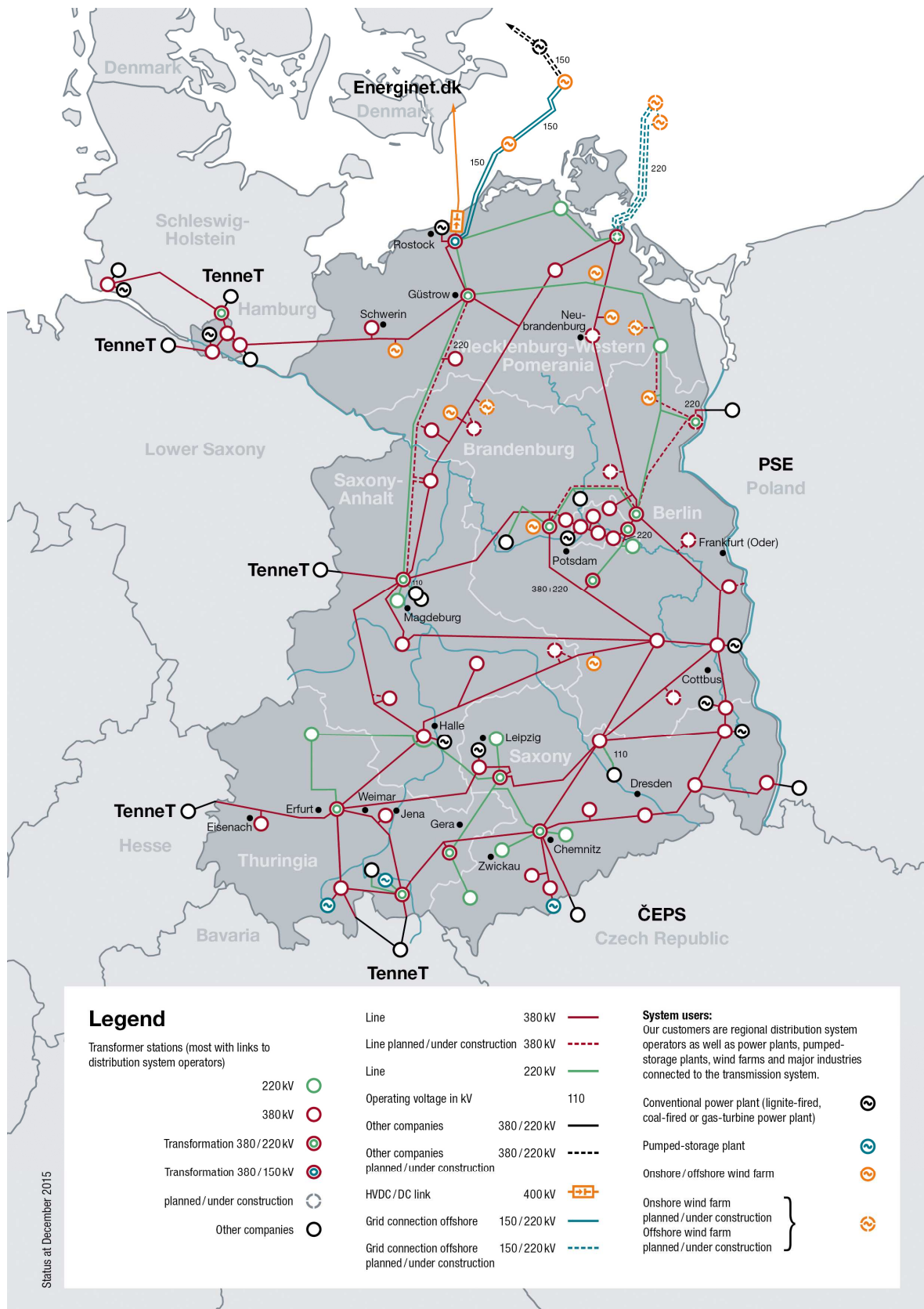
## **Business Overview**

50Hertz is one of the four TSOs in Germany that owns, operates, maintains and develops a 380 kV — 220 kV transmission network with an installed capacity of around 50,500 MW (thereof around 27,000 MW renewables, thereof around 16,100 MW wind) and a network grid length of around 10,200 km in an area covering the five Eastern German states of Thuringia, Saxony, Saxony-Anhalt, Brandenburg and Mecklenburg-Western Pomerania as well as Berlin and Hamburg. 50Hertz's control area covers approximately 109,000 km<sup>2</sup> (a third of Germany) with more than 18 million inhabitants consuming approximately 20 per cent of Germany's electricity. 50Hertz has the youngest asset base among the German TSOs and integrates safely highest amounts of electricity from renewable energy sources (in relation to the consumption of the area). In addition, 50Hertz's network is situated at the crossroads between the Western and North Eastern European electricity markets due to the central location of its network between Scandinavia, Poland, the Czech Republic and Central Western Europe. As of 31 December 2015, 50Hertz reported total assets amounting to € 5,304.8 million. The operations of 50Hertz generated revenue of € 9,188.0 million and cash flow from operating activities of € 46.5 million in the fiscal year ended 31 December 2015. The headcount of 50Hertz as of 31 December 2015 was 901. 50Hertz's most important projects at present are the Southwest connecting line, the South-eastern Passage (DC connection between Saxony-Anhalt and Bavaria), reinforcing the grid for the "Nordring Berlin" (Berlin Northern Ring), constructing the new corporate headquarters, the Kriegers Flak combined grid solution (in the offshore area) and erecting the phase shifters in Vierraden and Röhrsdorf.

50Hertz's location within Europe and Germany is shown below:



A map with the grid operated by 50Hertz is shown below:



Under the German legal and regulatory framework, 50Hertz performs the following services:

- *Operate a safe, reliable and efficient transmission grid on a non-discriminatory basis:* 50Hertz has to operate, maintain and develop its grid meeting the demands of its customers to the extent this is economically reasonable. In particular, the TSOs have to contribute to supply security by providing appropriate transmission capacity and system reliability;
- *Provide grid connection to and transmission of electricity through its high voltage grid:* 50Hertz is obligated to provide physical connection to its grid to final customers, level or downstream electricity supply grids and lines, as well as generation facilities (which may have to be given priority in the event of congestion) subject to technical and economic conditions that are appropriate, non-discriminatory, and transparent. In addition, and in accordance with regulated third party access (“TPA”) rules, 50Hertz must also grant TPA to their grid on an economically reasonable, non-discriminatory and transparent basis.
- *Provide preferential grid connection to, and feed-in electricity produced from renewable energy sources:* With regards to electricity generated from renewable energy facilities, TSOs in Germany are under the obligation to optimise, amplify and expand their grid and, as far as economically reasonable, to ensure the purchase, transmission and distribution of such electricity. Accordingly, 50Hertz is obligated to connect without undue delay all renewable energy facilities in its control area to its transmission grid and any delay in such connections may subject 50Hertz to damages claims. In particular, 50Hertz is obligated to construct connections to all offshore wind farms under the further prerequisites of the EnWG and to share the costs incurred thereby with the other German TSOs;
- *Provide system service:* 50Hertz has the responsibility to maintain a secure and reliable energy supply system. The development of the German electricity market in recent years has led to a disproportionate share of energy being consumed in the southern and western parts of Germany, whereas the majority of the renewable energy generation is expected to be located in the northern and eastern parts of Germany. Taking into account these regional differences in the generation of renewable energy and fluctuating feed-in from renewable energy facilities, 50Hertz is focused on maintaining a system balance between generation and consumption at all times. In order to continuously balance demand and supply of electricity, 50Hertz primarily relies on the use of different types of control power (primary, secondary and tertiary control power). In addition, 50Hertz conducts congestion management measures when required and manages grid losses in its transmission system by procuring energy; and
- *Manage cross-border connections:* 50Hertz operates a number of cross-border interconnections to Poland, Denmark and the Czech Republic. Their management involves non-discriminatory and transparent transfer capacity allocation mechanisms under pertinent European legislation and under EnWG.

## Strategy

The 50Hertz strategy derives from the company’s vision and mission and serves to achieve the company’s five top targets:

- Competitive profitability;
- high efficiency;
- value-based corporate culture;

- demand-driven grid development and
- high security of supply.

The top targets support 50Hertz's responsibility for the society, its employees and its private ownership. Besides this internal perspective, the 50Hertz strategy also reflects the external perspective – the future energy landscape and derived implications for the TSO business.

Thus, five strategic directions have been defined that comprise the necessary actions to fulfil the company's top targets:

- (1) Co-shape the framework;
- (2) enhance process and cost excellence;
- (3) foster collaboration and personnel development;
- (4) identify and realize flexible approaches for grid development options; and
- (5) sustainably enhance system and grid operations.

In the light of the top targets, the strategic directions of 50Hertz can be briefly summarized as follows:

**(1) *Co-shape the framework:***

50Hertz is directly influenced by political decisions and changes in the legal and regulatory framework. In the last years the German TSOs put a great focus on the further development and improvement of the regulatory framework. Also in the amendment process of the energy industry related legislation German TSOs were actively consulted and had the opportunity to issue their opinions and provide comments on relevant regulations. For this reason, 50Hertz considers it highly important to continue its active involvement in co-shaping the framework to achieve a further stabilisation of the regulatory environment and ensure a proper regulatory remuneration for its activities, hence a competitive profitability.

**(2) *Enhance process and cost excellence:***

Being a regulated company, 50Hertz is expected to maintain a proper balance between high quality and high efficiency of its operations. This expectation is reflected in the current regulatory framework where TSOs are measured on the basis of meeting their quality commitments and efficiency requirements. To make sure 50Hertz's performance reflects the needs and priorities of its customers and helps maximise the benefits for its stakeholders, 50Hertz has defined process and cost excellence as one of the strategic directions to focus on. On the one hand, excellence at 50Hertz means securing high quality standards also under changing and increasingly challenging conditions and encompasses functionality, availability and reliability of all required technical systems, continuous optimisation of core TSO processes and steady improvement of core TSO skills as well as know-how development and retention. On the other hand, excellence refers also to a high level of cost and financing efficiency in order to ensure an adequate scoring in the regulatory cost audit and efficiency benchmark and to efficiently equip the company with the required short and long-term liquidity.

**(3) *Foster collaboration and personnel development:***

50Hertz operates in a very dynamic environment and is currently facing a number of opportunities and challenges which result from the *Energiewende* in Germany. The company is on a growth track, especially through the integration of renewable energies onshore and offshore, and has a large-scale investment programme to realise in the next years. The corporate growth is also reflected in the increasing headcount of 50Hertz in the last years and the development of its organisational structure. A number of new employees joined the company, some corporate structures including also the management structure have been realigned. In such a situation of growth combined with opportunities and challenges resulting from uncertainty

of future developments, 50Hertz needs a great deal of collaborative drive and power, which are nourished by a robust and healthy corporate culture.

**(4) Identify and realize flexible approaches for grid development options:**

Being a grid infrastructure operator, 50Hertz has to make long-term investment decisions with a lasting effect: grid infrastructure constructed today will be depreciated in up to 40 years and will most likely serve the society also after its depreciation period. Therefore, it is essential for TSOs to make well-reasoned decisions to provide customers with the necessary grid infrastructure and to avoid stranded investments. However, public acceptance is one of the major issues and a limiting factor for the grid development. Therefore, the political and public communication of grid development projects is in focus of 50Hertz.

**(5) Sustainably enhance system and grid operations:**

To fulfil its role as grid and system operator, it is key for 50Hertz to ensure a high level of system security, grid safety and reliability as well as environmental sustainability. 50Hertz's ambition is to permanently guarantee secure and uninterrupted system operations as well as reliable, efficient and environmentally-compatible operations of its transmission grid. This strengthens 50Hertz's role and its importance for the society, politics and regulator.

As part of its capital investment strategy, 50Hertz has received approval from BNetzA for investment projects with an overall volume of approximately € 6.25 billion (reference date: 31 January 2016). Since 2012 the yearly issued *Netzentwicklungsplan* ("**NEP**") and the *Offshore-Netzentwicklungsplan* ("**O-NEP**") are the basis for the grid development projects of 50Hertz. The Issuer and the Guarantors will look to meet these and other financing needs through diversified sources of funding.

## **Subsidiaries**

50Hertz's subsidiaries include its 100 per cent. subsidiary 50Hertz Offshore and its minority shareholdings in JAO (5.0 per cent. ownership), CORESO (10.0 per cent. ownership), EEX (8.7 per cent. ownership), EGI (49.99 per cent. ownership), EMCC i.L. (20.0 per cent. ownership) and TSCNET Services (7.7 per cent. ownership). Each is described further below:

- **50Hertz Offshore:** 50Hertz Offshore GmbH ("**50Hertz Offshore**") was established in 2007 to facilitate the grid connection of the offshore wind farms to the control area of 50Hertz and operate these connections on behalf of 50Hertz as required now under Sec. 17d of the EnWG in accordance with the 2006 Infrastructure Planning Acceleration Act (*Infrastrukturplanungsbeschleunigungsgesetz 2006*). See "*Business Description of the Guarantors - 50Hertz Offshore GmbH*" for additional information on 50Hertz Offshore;
- **JAO:** As of 31 December 2014, 50Hertz Transmission had an 11.1 per cent shareholding in CAO Central Allocation Office GmbH ("**CAO**") based in Freising. The purpose of the company was providing congestion management services for transmission grids. In 2015, CAO was merged into Capacity Allocation Service Company.eu S.A. ("**CASC**"), Luxembourg. CASC was subsequently renamed Joint Allocation Office S.A. ("**JAO**"), keeping its registered office in Luxembourg. Due to capital measures taken prior to the transaction, 50Hertz holds shares in the issued capital of JAO of 5.0 per cent.; and
- **CORES0:** CORESO SA ("**CORES0**") was established by Elia (a Belgium TSO) and RTE (a French TSO). Later on National Grid (an English TSO) joined. In 2010 both 50Hertz and Terna (an Italian TSO) and at the end of 2014 REN (the Portuguese TSO) joined the service company. The purpose of CORESO is to provide supporting services in the framework of security of supply inter alia by common system security calculations and coordination services between the respective customers or in cooperation with similar service providers.



- *EEX*: European Energy Exchange AG is an energy exchange offering e.g. exchange trading of energy and energy related products as well as registration services.
- *Elia*: Elia Grid International N.V./S.A. is a company founded by 50Hertz (49.99 per cent.) and Elia System Operator N.V./S.A. (50.01 per cent.) in 2014 offering consultancy and engineering services on the international energy market.
- *EMCC i.L.*: 50Hertz, together with Energinet.dk, TenneT TSO GmbH (Germany), the European Energy Exchange AG and Nord Pool Spot AS, established EMCC European Market Coupling Company GmbH i.L. as a joint cross Danish-German border service company. The partners each own 20.0 per cent. of the shares in the company. EMCC i.L. was formed in order to implement and comply with the requirements of EC Regulation No. 1228/2003. EMCC i.L. currently is under solvent liquidation. The reason for that is that EMCC i.L.'s services were no longer required after TSOs and power exchanges in the North-Western European region - in compliance with the energy strategy of the European Commission to create a single electricity market throughout the EU - implemented the so-called enduring day-ahead price coupling (i.e. the electricity and the capacities to transport this electricity on cross border lines are auctioned by the power exchanges at the same time); and
- *TSCNET Services*: In 2014, 50Hertz, together with several other TSOs, established TSCNET Services GmbH. Each shareholder holds 7.7 per cent. of the shares in the company. The object of the company is to provide technical support services in the field of system security and capacity calculation to TSOs in order to support them in their system operation.

## Major Shareholders, Organisational Structure and Share Capital

The registered share capital of 50Hertz amounts to € 200,000,000 comprising four shares with nominal values of € 25,000, € 149,975,000, € 49,000,000 and € 1,000,000, respectively. All four shares have been issued and fully paid up, and are owned by the Issuer, which acquired 50Hertz from Vattenfall Europe AG on 19 May 2010. A brief description of the organisational structure of the Issuer, 50Hertz and its subsidiaries can be found under “*Business description of the Issuer – Organizational Structure*”, above.

## Administrative, Management, and Supervisory Bodies

### Management Board

50Hertz is managed by a board of managing directors, comprising four managing directors. It is externally represented by two managing directors (*Geschäftsführer*) jointly, or one managing director jointly with the holder of a commercial power of attorney (*Prokura*). The managing directors are nominated by the Shareholders and appointed and removed by the supervisory board of 50Hertz. In addition, the management team is completed by a Chief Human Resources Officer (*Arbeitsdirektor*) as an employees' representative to be nominated by the trade union IG BCE (*Industriegewerkschaft Bergbau, Chemie, Energie*).

The current managing directors of 50Hertz are as follows:

Name	Responsibility	Principal activities outside 50Hertz
Boris Schucht	Chief Executive Officer	Member of the Board of Directors of Elia Grid International N.V./S.A.
Marco Nix	Chief Financial Officer	Managing Director of 50Hertz Offshore GmbH
Dr Frank Golletz	Chief Technical Officer	Managing Director of 50Hertz Offshore GmbH Member of the Board of Directors of Elia Grid International N.V./S.A.

Dr Dirk Biermann	Chief Markets & System Operation Manager	Member of the Board of Directors of Coreso SA Member of the Supervisory Board of European Energy Exchange AG
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The business address of all managing directors is Eichenstraße 3A, 12435 Berlin, Germany.

### **Supervisory Board**

50Hertz is supervised by a co-determined supervisory board (*Aufsichtsrat*) consisting of six members. In accordance with the articles of association of 50Hertz, two of the supervisory board members are employee representatives. The remaining four members, one of whom is nominated by the trade union IG BCE, are elected by the Shareholders.

The members of the supervisory board of 50Hertz are as follows:

<b>Name</b>	<b>Position</b>	<b>Principal activities outside 50Hertz</b>	<b>Business Address</b>
Christiaan Peeters	Chairman	Chief Executive Officer of Elia System Operator N.V./S.A. and Elia Asset N.V./S.A.; Chairman of the Board of Directors of Elia Grid International N.V./S.A.; Chairman of the Board of Directors of Eurogrid International CVBA/SCRL; Member of the Board of Directors of Synergrid asbl, Fédération des Gestionnaires de Réseaux Electricité et Gaz en Belgique Member of the Board of Directors of Holding des gestionnaires de réseau de Transports d'Electricité SAS Member of the Supervisory Board of EPEX Spot SE	c/o Elia System Operator S.A. Bd. de l'Empereur 20 B – 1000 Brussels Belgium
Peter Hausmann*	Vice Chairman	Member of the Executive Board of the trade union IG BCE ( <i>Industriegewerkschaft Bergbau, Chemie, Energie</i> ); Member of the Supervisory Board of Bayer AG; Member of the Supervisory Board of Henkel AG & Co. KGaA; Member of the Supervisory Board of Continental AG; Member of the Supervisory Board of Vivawest Wohnen	Industriegewerkschaft Bergbau, Chemie, Energie, Königsworther Platz 6, 30167 Hanover, Germany

		GmbH	
Markus Berger	Member	Member of the Executive Committee of Elia System Operator N.V./S.A. and Elia Asset N.V./S.A. (Chief Infrastructure Development Officer);  Member of the Board of Directors and Chief Executive Officer of Elia Grid International N.V./S.A.;  Managing Director of Elia Grid International GmbH  Member of the Board of Directors of Eurogrid International CVBA/SCRL	Bd. de l'Empereur 20 B – 1000 Brussels, Belgium
Lars Bespolka	Member	Executive Director, Infrastructure, IFM Investors (UK) Ltd	IFM Investors (UK) Ltd, Eichenstraße 3A 12435 Berlin, Germany
Andrea Ludwig*	Member	None	50Hertz Transmission, Eichenstraße 3A 12435 Berlin, Germany
Dr. Lutz Pscherer*	Member	None	50Hertz Transmission, Eichenstraße 3A 12435 Berlin, Germany

\* Employee representatives.

### Administrative, Management, and Supervisory Bodies Conflicts of Interest

None of the managing directors or members of the supervisory board of 50Hertz have declared that there are any potential conflicts of interest between any duties to 50Hertz and their private interests or other duties.

### Fiscal Year

The fiscal year of 50Hertz is the calendar year.

### Financial Information

The audited annual financial statements of 50Hertz as of and for the fiscal years ended 31 December 2014 and 31 December 2015 which have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* - “HGB”) and the respective audit opinions (*Bestätigungsvermerke*) thereon, are incorporated by reference into this Prospectus.

### Statutory Auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Friedrichstraße 140, 10117 Berlin, Federal Republic of Germany (“EY”) has been the statutory auditor of 50Hertz for the fiscal years ended 31 December 2014 and 31 December 2015. EY has audited in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)*) the HGB annual

financial statements of 50Hertz as of and for the fiscal years ended 31 December 2014 and 31 December 2015 and in each case issued an unqualified audit opinion thereon.

EY is member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin.

### **Statement of No Material Adverse Change**

There has been no material adverse change in the prospects of 50Hertz since 31 December 2015.

### **Significant Change in the Financial or Trading Position**

There have been no significant changes in the financial or trading position of the Group since 31 December 2015.

### **Legal and Arbitration Proceedings**

50Hertz is regularly involved in legal and governmental proceedings and may also become involved in arbitration proceedings.

A dispute which is of particular note concerns a claim raised by the insolvency administrator of TelDaFax Energy GmbH against 50Hertz, requesting mainly the repayment of EEG-Umlage payments in an amount of approximately € 36 million. In October 2015 the District Court of Berlin (*Landgericht Berlin*) delivered its judgment and ruled that 50Hertz has to pay the amount in dispute plus interest to the insolvency administrator. 50Hertz filed an appeal against this judgment with the Higher Regional Court of Berlin (*Kammergericht*), which is still pending. 50Hertz has not made any provisions in relation to this claim, relying on an informal statement by BNetzA that if a German TSO incurs losses of EEG-Umlage payments due to insolvency of an energy supplier, these can be recovered via the EEG-mechanism according to the EEG.

A similar claim was raised by the insolvency administrator of FlexStrom AG, requesting the repayment of EEG-Umlage payments in an amount of approximately € 27.5 million plus interest. In February 2016 the insolvency administrator of FlexStrom AG announced that he will now bring proceedings against 50Hertz. 50Hertz has not made any provisions in relation to this claim, relying on an informal statement by BNetzA that if a German TSO incurs losses of EEG-Umlage payments due to insolvency of an energy supplier, these can be recovered via the EEG-mechanism according to the EEG.

Furthermore, the operator of the pumped-storage power plant Goldisthal has raised a claim against BNetzA after BNetzA refused initially to grant an exemption from paying grid tariffs. The pumped-storage power plant Goldisthal is connected to 50Hertz's transmission system and is therefore in principle obliged to pay grid tariffs. Due to the EnWG and the StromNEV pumped-storage power plants can be exempted from paying grid tariffs for 10 years in case they meet certain conditions. While the court proceeding was pending, BNetzA granted the grid tariff exemption, but only starting with the year 2017. The operator challenged the decision of BNetzA with respect to the years 2014-2016. On 9 March 2016, the Higher Regional Court Düsseldorf (*Oberlandesgericht Düsseldorf*) decided in favour of the BNetzA, rejecting the grid tariff exemption for the years 2014-2016. Unless the operator appeals, 50Hertz thus has to refund the grid users via lowering the grid tariffs by about € 110 million in the upcoming two years, which may result in a liquidity risk for 50Hertz. In case the pumped-storage power plant would be exempted from paying grid tariffs also for the years 2014-2016 on the basis of an appeal to the respective court decision, 50Hertz would have to refund the operator of the pumped-storage power plant (insofar as the operator already paid grid tariffs) about € 50 million per year. As it is unclear whether 50Hertz could recover the loss of grid tariffs (via Sec. 19 StromNEV-surcharge or grid tariffs) for the years 2014-2016 without time delay, there is a profitability and liquidity risk for 50Hertz.

After 50Hertz had, due to non-compliance with the current legal and regulatory framework, terminated the virtual tie line between EnBW's power plant in Lippendorf to TransnetBW's control area in September 2015 EnBW raised a claim against 50Hertz to reinstall the virtual tie line. Furthermore, EnBW requests the Regional Court Berlin to declare that 50Hertz must reimburse the loss of profit during the non-fulfilment of the contract

(EnBW partially claimed the amount of € 0.9 million). In case the court does not grant EnBW the reinstallation of the virtual tie line, but rules in favour of a duty of 50Hertz to compensate for the losses, it must be expected that EnBW will claim another € 8 million in addition to the partially claimed amount. Alternatively, EnBW demands the compensation of € 4.5 million of investment costs they had paid in the 1990s when the power plant was built and connected to the grid of 50Hertz. After an internal assessment of the probability of success of the claims, 50Hertz did not make any provisions in relation to these claims.

### **Material Contracts**

50Hertz has entered into a profit and loss transfer agreement with its parent company, the Issuer, effective as of June 2010. The aim of the profit and loss transfer agreement is to create a fiscal unity between 50Hertz and the Issuer for trade and corporate tax purposes. Pursuant to the profit and loss transfer agreement, 50Hertz is obliged to transfer its profits to the Issuer and in return, the Issuer is obliged to compensate 50Hertz (in accordance with the provisions of the German Stock Corporation Act (Sec. 302 *Aktiengesetz*)) for any annual losses 50Hertz incurs during the term of the agreement and subject to the terms of the profit and loss transfer agreement. The agreement is valid for an unlimited period of time and may only be terminated after five years with a one month notice period prior to the end of a fiscal year of 50Hertz.

50Hertz is also party to a profit and loss transfer agreement with 50Hertz Offshore, see “*Business Description of the Guarantors - 50Hertz Offshore GmbH – Material Contracts*”.

On 19 May 2010 the Issuer, 50Hertz and 50Hertz Offshore entered into a German law cash pool agreement (the “**Cash Pool Agreement**”). On 14 May 2012 a sister company of the Issuer, GridLab GmbH, acceded to the Cash Pool Agreement by a cash pool agreement signed by 50Hertz and 50Hertz Offshore on 2 May 2012, by GridLab GmbH on 8 May 2012 and by the Issuer on 14 May 2012. GridLab GmbH with corporate seat in Cottbus was founded in 2010 and provides training and research services in relation to system security in electricity networks. The purpose of the Cash Pool Agreement is to optimise the treasury activities (cash, interest, foreign exchange, financing and investment management) within these four companies. Each Guarantor and GridLab GmbH owes ongoing information disclosure duties to the Issuer (including periodically informing the Issuer of its ongoing financial position and of the occurrence of any extraordinary risks or a material deviation from its planned liquidity, revenue or profit levels) and the Issuer has corresponding information disclosure duties to the Guarantors and GridLab GmbH. In addition, the Issuer has an obligation to inform the other parties about new participations or retirement of any cash pool participant. There is no fixed termination date for the Cash Pool Agreement. A prerequisite for participation in the Cash Pool Agreement is that the share capital of the participating company is fully paid up. In addition, the continued participation of a company in the Cash Pool Agreement is only possible if the company does not have negative equity, or if the company can recover its losses under a profit and loss transfer agreement. Failure to meet these conditions would trigger a right to terminate participation.

### **Ratings**

50Hertz is not rated.

## BUSINESS DESCRIPTION OF THE GUARANTORS – 50HERTZ OFFSHORE GMBH

### General Information

The legal and commercial name is 50Hertz Offshore GmbH (“**50Hertz Offshore**”).

50Hertz Offshore operates under the laws of Germany and was incorporated as a limited liability company on 29 June 2007. The company has its corporate seat in Berlin, Germany, and has its registered office at Eichenstraße 3A, 12435 Berlin. The company is registered in the commercial register at the local court (*Amtsgericht*) of Charlottenburg under registration number HRB 108780 B. The telephone number of 50Hertz Offshore is +49-30-5150-0.

There have been no relevant recent events particular to 50Hertz Offshore which are to a material extent relevant to the evaluation of 50Hertz Offshore’s solvency.

### Object of 50Hertz Offshore

Article 2 of 50Hertz Offshore’s articles of association (as translated from the German original), regarding its objects, reads as follows:

- ”1. Object of the company is the construction, acquisition, maintenance, system management and operation of electricity lines as well as related equipment and facilities for the connection of offshore-plants primarily to be erected in the Baltic Sea to an electricity transmission or distribution network.*
- 2. The company may take all measures and enter into all transactions serving directly or indirectly the object of the company. In particular, the company may acquire or incorporate companies of the same or similar kind, and participate in such domestic and foreign companies, and enter into cooperation and enterprise agreements.”*

### Business Overview

50Hertz Offshore was formed to facilitate the connection of offshore wind farms to the 50Hertz control area and to provide for a transparent accounting of the costs and capital employed. 50Hertz Offshore is expected to incur all the capital expenditure and other related costs related to these offshore connections.

In accordance with EnWG, 50Hertz is obliged to construct the grid connections to offshore clusters foreseen in the O-NEP once the latter has been approved by the BNetzA, connect wind farms to which the BNetzA has assigned capacity on the grid connection and operate the connection assets after commissioning. Furthermore, Sec. 17d EnWG requires the German TSOs to share the costs of constructing and operating the grid connections to the offshore wind farms, based on the electricity supply volume in their respective control areas.

By way of a framework agreement signed in November 2008 between 50Hertz and 50Hertz Offshore, 50Hertz has delegated its obligation to construct and operate the grid connections to the offshore clusters and wind farms to 50Hertz Offshore, granting at the same time the right of being reimbursed for all respective costs. 50Hertz Offshore currently has no employees and instead relies on services provided by 50Hertz pursuant to service contracts. See “*Business description of the Guarantors – 50Hertz Offshore GmbH – Material Contracts*”.

Important investment needs of 50Hertz Offshore are primarily triggered by the procurement of mainly sea and land cables and other electrical equipment to connect offshore wind farms. Since 2011 the first commercial offshore wind farm in the Baltic Sea (Baltic 1) has been connected to 50Hertz’s transmission grid. A second grid connection (Baltic 2) was finalized in 2015; a new offshore cluster connection (Cluster Westlich Adlergrund) has been approved by BNetzA in the O-NEP 2013 and capacity on the already ordered cables has been allocated to two wind farms (Wikinger and Arkona-Becken Südost); several additional offshore

projects are foreseen by 50Hertz Offshore. The size of the offshore investment portfolio may fluctuate considerably over the coming years depending on the political and regulatory decisions regarding the pace of the offshore development in general and specifically in the Baltic Sea.

Based on German law, 50Hertz and 50Hertz Offshore may be subject to claims for damages in case of a culpable delay of grid connections or for interruption of their respective operation. See *“Risk Factors– Factors which are material for the purpose of assessing the regulatory, environmental and legal risks associated with Notes issued under the Programme - Mismatch in timing of generating revenues from the surcharges and respective costs incurred may have a negative impact on 50Hertz’s liquidity”*.

As of 31 December 2015 the total assets of 50Hertz Offshore, which mainly consisted of grid connection related assets under construction, amounted to € 1,402.6 million. 50Hertz Offshore's income is driven by direct operating costs and imputed regulatory costs linked to the offshore activities, which are chargeable to 50Hertz. Revenue for the fiscal year ended 31 December 2015 amounted to € 111.9 million (compared with € 50.9 million for the fiscal year ended 31 December 2014).

### **Major Shareholders, Organisational Structure and Share Capital**

The registered share capital of 50Hertz Offshore amounts to € 1,000,000, comprising one share with a nominal value of € 1,000,000 which has been issued and is fully paid up. 50Hertz Offshore is a wholly owned subsidiary of 50Hertz. A brief description of the organisational structure of 50Hertz and its subsidiaries including 50Hertz Offshore can be found under *“Business description of the Guarantors – 50Hertz Transmission GmbH - Subsidiaries”*, above.

### **Administrative, Management, and Supervisory Bodies**

50Hertz Offshore is managed by a board of managing directors. The board of managing directors comprises two managing directors as listed below. 50Hertz Offshore is represented by two managing directors jointly or by one managing director together with a holder of a commercial power of attorney (*Prokurist*).

<b>Name</b>	<b>Responsibility</b>	<b>Principal activities outside 50Hertz Offshore</b>
Marco Nix	Managing Director	Managing Director of 50Hertz Transmission GmbH
Dr. Frank Golletz	Managing Director	Managing Director of 50Hertz Transmission GmbH Member of the Board of Directors of Elia Grid International S.A.

The business address of both managing directors is Eichenstraße 3A, 12435 Berlin, Germany.

### **Administrative, Management, and Supervisory Bodies Conflicts of Interest**

None of the managing directors of 50Hertz Offshore have declared that there are any potential conflicts of interest between any duties to 50Hertz Offshore and their private interests or other duties.

### **Fiscal Year**

The fiscal year of 50Hertz Offshore is the calendar year.

## Financial Information

The audited annual financial statements of 50Hertz Offshore as of and for the fiscal years ended 31 December 2014 and 31 December 2015 which have been prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* - “HGB”) and the respective audit opinions (*Bestätigungsvermerke*) thereon are incorporated by reference into this Prospectus.

## Statutory Auditors

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, office Berlin, Friedrichstraße 140, 10117 Berlin, Federal Republic of Germany (“EY”) has been the statutory auditor of 50Hertz Offshore for the fiscal years ended 31 December 2014 and 31 December 2015. EY has audited in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)*) the HGB annual financial statements of 50Hertz Offshore as of and for the fiscal years ended 31 December 2014 and 31 December 2015 and, in each case, issued an unqualified audit opinion thereon.

EY is member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin.

## Statement of No Material Adverse Change

There has been no material adverse change in the prospects of 50Hertz Offshore since 31 December 2015.

## Significant Change in the Financial or Trading Position

There have been no significant changes in the financial or trading position of the Group since 31 December 2015.

## Legal and Arbitration Proceedings

50Hertz Offshore has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which 50Hertz Offshore is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of 50Hertz Offshore or the Group.

## Material Contracts

50Hertz Offshore has entered into a domination/profit and loss transfer agreement with its parent company, 50Hertz, effective as of January 2008. The aim of the domination/profit and loss transfer agreement is to achieve a fiscal unity between 50Hertz and 50Hertz Offshore for trade tax and corporate tax purposes. Pursuant to the domination part of the agreement, 50Hertz is entitled to issue instructions to the management of 50Hertz Offshore. Pursuant to the profit and loss transfer part of the agreement, 50Hertz Offshore is obliged to transfer its profits to 50Hertz and in return, 50Hertz is obliged to compensate 50Hertz Offshore (in accordance with the provisions of the German Stock Corporation Act ((Sec. 302 *Aktiengesetz (AktG)*) and subject to the terms of the profit and loss transfer agreement) for any annual losses 50Hertz Offshore incurs during the term of the agreement. The agreement was concluded for a fixed term until 31 December 2013, and thereafter it is automatically renewed if not terminated by three months' notice prior to the end of the respective fiscal year of 50Hertz Offshore.

50Hertz Offshore is also party to the Cash Pool Agreement between the Issuer, 50Hertz and GridLab GmbH (see “*Business Description of the Guarantors – 50Hertz Transmission GmbH – Material Contracts*”).

The business of 50Hertz Offshore is based on a framework agreement signed in November 2008 with 50Hertz, under which 50Hertz has delegated its obligation to construct and operate the grid connections to the offshore clusters and wind farms to 50Hertz Offshore, granting at the same time the right of being reimbursed for all respective costs. Further, as 50Hertz Offshore currently has no employees and instead relies on



services provided by 50Hertz pursuant to service contracts, such service contracts are of material importance to the business of 50Hertz Offshore.

**Ratings**

50Hertz Offshore is not rated.

## GENERAL DESCRIPTION OF THE PROGRAMME

Under this € 5,000,000,000 Debt Issuance Programme, the Issuer may from time to time issue notes (the "**Notes**") to one or more of the Dealers (as defined herein). The maximum aggregate principal amount of the Notes from time to time outstanding under the Programme will not exceed € 5,000,000,000 (or the equivalent in other currencies at the time of the issue). The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement from time to time.

Notes will be issued on a continuous basis in tranches of Notes ("**Tranches**"), each Tranche consisting of Notes which are identical in all respects. One or more Tranches, which are expressed to be consolidated and forming a single series and are identical in all respects, but which may have different issue dates, interest commencement dates, issue prices and dates for first interest payments may form a series of Notes ("**Series**"). Further Notes may be issued as part of existing Series. The specific terms of each Tranche will be set forth in the applicable Final Terms. The Final Terms of Notes listed on the official list of the Luxembourg Stock Exchange will be displayed on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Notes listed on any other stock exchange, the Final Terms will be displayed on the website of the Issuer ([www.eurogrid.com](http://www.eurogrid.com)).

The Notes are freely transferable. Notes may be issued at an issue price which is at par or at a discount to, or premium over, par, as stated in the applicable Final Terms. The yield for Fixed Rate Notes will be calculated by the use of the ICMA method, which determines the effective interest rate of notes taking into account accrued interest on a daily basis.

### Issue Procedures

The Issuer and the relevant Dealer(s) will agree on the terms and conditions applicable to each particular Tranche of Notes (the "**Conditions**"). The Conditions will be constituted by the relevant set of Terms and Conditions of the Notes set forth below (the "**Terms and Conditions**") as further specified by the provisions of the Final Terms as set out below.

#### *Options for sets of Terms and Conditions*

A separate set of Terms and Conditions applies to each type of Notes, as set forth below. The Final Terms provide for the Issuer to choose among the following Options:

Option I – Terms and Conditions for Notes with fixed interest rates (Fixed Rate Notes); and

Option II – Terms and Conditions for Notes without periodic interest payments (Zero Coupon Notes).

In addition, a separate set of Terms and Conditions for Notes with fixed interest rates, included in the Debt Issuance Programme Prospectus of the Issuer dated 13 May 2015, is incorporated by reference into this Prospectus for the purpose of a potential increase of Notes outstanding and originally issued prior to the date of this Prospectus ("**Option I A**").

#### *Documentation of the Conditions*

The Issuer may document the Conditions of an individual issue of Notes in either of the following ways:

- The Final Terms shall be completed as set out therein. The Final Terms shall determine which of Option I, Option I A or Option II, including certain further options contained therein, respectively, shall be applicable to the individual issue of Notes by replicating the relevant provisions and completing the relevant placeholders of the relevant set of Terms and Conditions as set out in the Prospectus in the Final Terms. The replicated and completed provisions of the set of Terms and Conditions shall constitute the Conditions, which will be attached to each global note representing the Notes of the relevant Tranche.

- Alternatively, the Final Terms shall determine which of Option I, Option I A or Option II and of the respective further options contained in each of Option I, Option I A or Option II are applicable to the individual issue by only referring to the specific sections of the relevant set of Terms and Conditions as set out in the Prospectus. The Final Terms will specify that the provisions of the Final Terms and the relevant set of Terms and Conditions as set out in the Prospectus, taken together, shall constitute the Conditions. Each global note representing a particular Tranche of Notes will have the Final Terms and the relevant set of Terms and Conditions as set out in the Prospectus attached.

#### *Determination of Options/ Completion of Placeholders*

The Final Terms shall determine which of Option I, Option I A or Option II shall be applicable to the individual issue of Notes. Each of the sets of Terms and Conditions of Option I, Option I A or Option II also contains certain further options (characterised by indicating the optional provision through instructions and explanatory notes set out either on the left of or in the square brackets within the text of the relevant set of Terms and Conditions as set out in the Prospectus) as well as placeholders (characterised by square brackets which include the relevant items) which will be determined by the Final Terms as follows:

#### *Determination of Options*

The Issuer will determine which options will be applicable to the individual issue either by replicating the relevant provisions in the Final Terms or by reference of the Final Terms to the sections of the relevant set of Terms and Conditions as set out in the Prospectus. If the Final Terms do not replicate or refer to an alternative or optional provision it shall be deemed to be deleted from the Conditions.

#### *Completion of Placeholders*

The Final Terms will specify the information with which the placeholders in the relevant set of Terms and Conditions will be completed. In case the provisions of the Final Terms and the relevant set of Terms and Conditions, taken together, shall constitute the Conditions the relevant set of Terms and Conditions shall be deemed to be completed by the information contained in the Final Terms as if such information were inserted in the placeholders of such provisions. In that case, all instructions and explanatory notes and text set out in square brackets in the relevant set of Terms and Conditions and any footnotes and explanatory text in the Final Terms will be deemed to be deleted from the Conditions.

## TERMS AND CONDITIONS OF THE NOTES

The Terms and Conditions of the Notes (the "**Terms and Conditions**") are set forth below for two options:

**Option I** comprises the set of Terms and Conditions that apply to Tranches of Notes with fixed interest rates (Fixed Rate Notes).

**Option II** comprises the set of Terms and Conditions that apply to Tranches of Notes without periodic interest payments (Zero Coupon Notes).

The set of Terms and Conditions for each of these Options contains certain further options, which are characterised accordingly by indicating the respective optional provision through instructions and explanatory notes set out in square brackets within the set of Terms and Conditions.

In the Final Terms the Issuer will determine, which of Option I or Option II including certain further options contained therein, respectively, shall apply with respect to an individual issue of Notes, either by replicating the relevant provisions or by referring to the relevant options.

To the extent that upon the approval of the Prospectus the Issuer had no knowledge of certain items which are applicable to an individual issue of Notes, this Prospectus contains placeholders set out in square brackets which include the relevant items that will be completed by the Final Terms.

## Terms and Conditions

This Series of Notes is issued pursuant to a Fiscal Agency Agreement dated on or about 8 April 2016 (the "**Agency Agreement**") between Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and ING Bank N.V. as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent there under) and the other parties named therein.

The provisions of these Terms and Conditions apply to the Notes as completed by the terms of the final terms attached hereto (the "**Final Terms**"). The blanks in the provisions of these Terms and Conditions which are applicable to the Notes shall be deemed to be completed by the information contained in the Final Terms as if such information were inserted in the blanks of such provisions; alternative or optional provisions of these Terms and Conditions as to which the corresponding provisions of the Final Terms are not completed or are deleted shall be deemed to be deleted from these Terms and Conditions; and all provisions of these Terms and Conditions which are inapplicable to the Notes (including instructions, explanatory notes and text set out in square brackets) shall be deemed to be deleted from these Terms and Conditions, as required to give effect to the terms of the Final Terms. Copies of the Final Terms may be obtained free of charge at the specified office of the Fiscal Agent and at the specified office of any Paying Agent and at the principal office of the Issuer provided that, in the case of Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be available to Holders of such Notes.

### OPTION I – Terms and Conditions for Notes with fixed interest rate ("**Fixed Rate Notes**")

#### § 1

#### (CURRENCY, DENOMINATION, FORM)

(1) *Currency; Denomination.* This Series of Notes (the "**Notes**") of Eurogrid GmbH ("**Eurogrid**" or the "**Issuer**") is being issued in [**Specified Currency**] (the "**Specified Currency**") in the aggregate principal amount [**in the case the Global Note is an NGN the following applies: (subject to § 1(4))**] of [**Aggregate Principal Amount**] (in words: [**Aggregate Principal Amount in words**]) (the "**Aggregate Principal Amount**") in the denomination of [**Specified Denomination**] (the "**Specified Denomination**").

(2) *Form.* The Notes are being issued in bearer form.

**[In the case of Notes which are represented by a Permanent Global Note the following applies:**

(3) *Permanent Global Note.* The Notes are represented by a permanent global note (the "**Permanent Global Note**" or the "**Global Note**") without coupons. The Permanent Global Note shall be signed manually by authorized signatories of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes and interest coupons will not be issued.]

**[In the case of Notes which are initially represented by a Temporary Global Note the following applies:**

(3) *Temporary Global Note — Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "**Permanent Global Note**" and together with the Temporary Global Note, the "**Global Notes**") without coupons. [**In the case of Euroclear and CBL and if the Global Note is an NGN the following applies:** The details of such exchange shall be entered in the records of the ICSDs (as defined below).] The Global Notes shall only be valid if each of them bears the handwritten signatures of two authorized representatives of the Issuer and the control signature of a person instructed by the Fiscal Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not earlier than 40 days and not later than 180 days after the date of issue of the Notes. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40<sup>th</sup> day after the date of issue of the Notes will be treated as a request to exchange the Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any Notes delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 1(6).]

(4) *Clearing System.* Each Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means [if more than one Clearing System the following applies: each of] the following: [Clearstream Banking AG, Frankfurt am Main,] [Clearstream Banking, société anonyme Luxembourg ("**CBL**")], [Euroclear Bank SA/NV Brussels as operator of the Euroclear System ("**Euroclear**")], and any successor in such capacity. [In the case of CBL and Euroclear as Clearing System the following applies: "**International Central Securities Depository**" or "**ICSD**" means each of CBL and Euroclear (together, the "**ICSDs**").]

[In the case of Notes kept in custody on behalf of the ICSDs and the global note is a NGN, the following applies: The Notes are issued in new global note ("**NGN**") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

The principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal amount of Notes represented by the Global Note and, for these purposes, a statement issued by an ICSD stating the principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or interest payment being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered *pro rata* in the records of the ICSDs and, upon any such entry being made, the principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled.]

[In the case of Notes kept in custody on behalf of the ICSDs and the global note is a CGN, the following applies: The Notes are issued in classical global note ("**CGN**") form and are kept in custody by a common depositary on behalf of both ICSDs.]

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

[In the case the Temporary Global Note is a NGN, the following applies: On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered *pro rata* in the records of the ICSDs.]

(6) *United States.* For the purposes of these Terms and Conditions "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

**§ 2**  
**(STATUS, NEGATIVE PLEDGE AND GUARANTEE)**

(1) *Status.* The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge.* So long as any of the Notes remain outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes (i) not to grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness, and (ii) to procure, to the extent legally permissible, that none of its Material Subsidiaries will grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness, unless at the same time the Holders share equally and rateably in such security or such other security as shall be approved by an independent accounting firm as being equivalent security has been made available to Holders.

For purposes of these Terms and Conditions, "**Capital Market Indebtedness**" means any obligation for the payment of borrowed money (including contingent liabilities) which is represented by any bond or debt security with an original maturity of more than one year which is, or is intended to be, or is capable of being listed or traded on a stock exchange or other recognised securities market.

(3) *Guarantee and Negative Pledge.*

(a) Each of 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (each of them a "**Guarantor**" and together the "**Guarantors**") has given an unconditional and irrevocable guarantee (the "**Guarantee**") under which the Guarantors jointly and severally guarantee subject to certain limitations set out therein for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes.

The Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with Section 328 paragraph 1 of the German Civil Code (*BGB*)<sup>1</sup>, giving rise to the right of each Holder to require performance of the Guarantee directly from the relevant Guarantor and to enforce the Guarantee directly against the relevant Guarantor. Copies of the Guarantee may be obtained free of charge at the specified office of the Fiscal Agent.

(b) Each Guarantor has undertaken in the Guarantee, as long as any of the Notes remain outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, (i) not to grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness (as defined in § 2 (2)), and (ii) to procure, to the extent legally possible, that none of its Material Subsidiaries will grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness, unless at the same time the Holders share equally and rateably in such security or such other security as shall be approved by an independent accounting firm as being equivalent

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<sup>1</sup> An English language convenience translation of Section 328 paragraph 1 of the German Civil Code (*BGB*) reads as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance".

security has been made available to Holders.

(c) For purposes of these Terms and Conditions, "**Material Subsidiary**" means a Subsidiary of the Issuer, or, as applicable, a Guarantor, (i) which, based on the latest audited annual consolidated financial statements of the Issuer (*Konzernabschluss*) and the latest audited annual financial statements of the relevant Subsidiary, has (x) unconsolidated gross assets (i.e. the sum of fixed assets (*Anlagevermögen*) and current assets (*Umlaufvermögen*) within the meaning of Section 266 paragraph 2 of the German Commercial Code (*HGB*) (without group internal positions) representing 10 per cent. or more of the consolidated gross assets of the Issuer, (y) unconsolidated operating profits before net interest expenses and taxes (without group internal positions) representing 10 per cent. or more of the consolidated operating profits before net interest expenses and taxes of the Issuer, or (ii) to which all or substantially all of the assets of a Subsidiary which was a Material Subsidiary before such transfer having occurred have been transferred, or to which such assets have passed in any other way, in which case the disposing entity will cease to be a Material Subsidiary. "**Subsidiary**" means (i) an entity of which a person owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership or (ii) an entity which is controlled, directly or indirectly, by a person within the meaning of Section 17 of the German Stock Corporation Act (*Aktiengesetz*).

### § 3 (INTEREST)

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of **[Rate of Interest]**% *per annum* from (and including) **[Interest Commencement Date]** to (but excluding) the Maturity Date (as defined in § 5(1)). Interest shall be payable in arrear on **[Interest Payment Date(s)]** in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on **[First Interest Payment Date]** **[if the First Interest Payment Date is not the first anniversary of the Interest Commencement Date the following applies: and will amount to [Initial Broken Amount per Specified Denomination] per Specified Denomination.] [If Maturity Date is not an Interest Payment Date the following applies: Interest in respect of the period from (and including) [last Interest Payment Date preceding the Maturity Date] to (but excluding) the Maturity Date will amount to [Final Broken Amount per Specified Denomination] per Specified Denomination.]**

(2) *Late Payments.* If the Issuer for any reason fails to render any payment of principal in respect of the Notes when due, interest shall continue to accrue at the default rate of interest established by statutory law<sup>2</sup> on the outstanding amount from (and including) the due date to (but excluding) the day on which such payment is made to the Holders.

(3) *Calculation of Interest for Periods of less than one Year.* If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the Day Count Fraction (as defined below). **[If the Specified Currency is Euro and if Actual/Actual (ICMA) is applicable the following applies:** The number of Interest Payment Dates per calendar year (each a "**Determination Date**") is **[number of regular Interest Payment Dates per calendar year].]**

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<sup>2</sup> The default rate of interest established by statutory law is five percentage points above the basis rate of interest published by *Deutsche Bundesbank* from time to time, Sections 288 paragraph 1, 247 paragraph 1 of the German Civil Code.



(4) *Day Count Fraction*. "**Day Count Fraction**" means with regard to the calculation of the amount of interest on the Notes for any period of time (the "**Calculation Period**"):

**[If the Specified Currency is Euro and if Actual/Actual (ICMA) is applicable the following applies:**

(i) if the Calculation Period (from and including the first day of such period but excluding the last) is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period (from and including the first day of such period but excluding the last) divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in § 3(3)) that would occur in one calendar year; or

(ii) if the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of: (A) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in § 3(3)) and (B) 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 Dates (as specified in § 3(3)) that would occur in one calendar year.

**"Determination Period"** means the period from (and including) a Determination Date to, (but excluding) the next Determination Date.]

**[In the case of 30/360, 360/360 or Bond Basis the following applies:** the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).]

**[In the case of 30E/360 or Eurobond Basis the following applies:** the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).]

#### **§ 4 (PAYMENTS)**

(1) (a) *Payment of Principal*. Payment of principal in respect of the Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

(b) *Payment of Interest*. Payment of interest on the Notes shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

**[In the case of interest payable on a Temporary Global Note the following applies:** Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).]

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

(3) *Discharge.* The Issuer or, as the case may be, the Guarantors shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is

**[In the case the Notes are not denominated in Euro the following applies:** a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in **[relevant financial center(s)]** **].** **[and]**

**[In the case the Clearing System and TARGET2 shall be open the following applies:** a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans European Automated Real time Gross Settlement Express Transfer payment system (TARGET2) are operational to forward the relevant payment].

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; **[if the Notes are redeemable at the option of the Issuer for other than tax reasons or reasons of minimal outstanding principal amount the following applies:** the Call Redemption Amount of the Notes;] **[if the Notes are redeemable at the option of the Holder the following applies:** the Put Redemption Amount of the Notes;] and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest.* The Issuer or, as the case may be, the Guarantors may deposit with the competent authority (*Hinterlegungsstelle*) at the seat of the Issuer (at the time of issuance of the Notes the local court (*Amtsgericht*) in Berlin-Tiergarten) principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

## **§ 5 (REDEMPTION)**

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on **[Maturity Date]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Note shall be its principal amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer or the Guarantors, as the case may be, are required to pay Additional Amounts (as defined in § 7 herein) on the next succeeding Interest Payment Date (as defined in § 3(1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or a Guarantor, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest (if any) accrued to the date fixed for redemption (excluding).

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantors would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by such number of managing directors of the Issuer as required to represent it, 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 or tax advisers of recognized standing to the effect that the Issuer or a Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment.

**[If the Notes are subject to Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Principal Amount, the following applies:**

**[(3)]** *Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Principal Amount.*

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased by the Issuer, the Guarantors or any direct or indirect subsidiary of the Issuer or the Guarantors pursuant to the provisions of this § 5 or otherwise (a "**Clean-up Call Event**"), the Issuer may, on not less than 30 nor more than 60 days' notice to the Holders of Notes given within 30 days after the Clean-up Call Event, redeem, at its option, the remaining Notes as a whole at their Early Redemption Amount (as defined below) plus interest accrued to but excluding the date of such redemption.]

**[If the Notes are subject to Early Redemption at the Option of the Issuer at specified Call Redemption Amounts the following applies:**

**[(4)]** *Early Redemption at the Option of the Issuer.*

**[If the Notes are subject to Early Redemption at specific Call Redemption Dates, the following applies:**

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all or some only of the Notes at the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the relevant redemption date.

<i>Call Redemption Date(s)</i>	<i>Call Redemption Amount(s)</i>
<b>[Call Redemption Date(s)]</b>	<b>[Call Redemption Amount(s)]</b>
<b>[•]</b>	<b>[•]</b>
<b>[•]</b>	<b>[•]</b>

**[If the Notes are subject to Early Redemption at specific Call Redemption Periods, the following applies:**

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all or some only of the Notes within the Call Redemption Period(s) at the Call Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the relevant redemption date.

<i>Call Redemption Period(s)</i>	<i>Call Redemption Amount(s)</i>
<b>[Call Redemption Period(s)]</b>	<b>[Call Redemption Amount(s)]</b>
<b>[•]</b>	<b>[•]</b>
<b>[•]</b>	<b>[•]</b>

**[If Notes are subject to Early Redemption at the Option of the Holder the following applies:**

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under subparagraph [(6)] of this § 5.]

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 13. Such notice shall specify:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes which are to be redeemed;
- (iii) the relevant redemption date, which shall be not less than **[Minimum Notice to Holders]** nor more than **[Maximum Notice to Holders]** days after the date on which notice is given by the Issuer to the Holders; and
- (iv) the Call Redemption Amount at which such Notes are to be redeemed.

(c) In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System.] **[In the case of Notes in NGN form the following applies:** For technical procedure of the ICSDs, in the case of a partial redemption the outstanding principal amount following such partial redemption will be reflected in the records of the ICSDs as either a reduction in nominal amount or as a pool factor, at the discretion of the ICSDs.])

**[If the Notes are subject to Early Redemption at the Option of the Issuer at Early Redemption Amount the following applies:**

**[(5)] Early Redemption at the Option of the Issuer.**

(a) The Issuer may, upon notice given in accordance with clause (b), at any time redeem all or some only of the Notes (each a "**Call Redemption Date**") at the Early Redemption Amount (as defined below) together with accrued interest, if any, to (but excluding) the relevant Call Redemption Date.

**[If Notes are subject to Early Redemption at the Option of the Holder the following applies:**

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under subparagraph [(6)] of this § 5.]

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 13. Such notice shall specify:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes which are to be redeemed; and
- (iii) the Call Redemption Date, which shall be not less than **[Minimum Notice to Holders]** nor more than **[Maximum Notice to Holders]** days after the date on which notice is given by the Issuer to the Holders.

(c) In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System.] **[In the case of Notes in NGN form the following applies:** For technical procedure of the ICSDs, in the case of a partial redemption the outstanding principal amount following such partial redemption will be reflected in the records of the ICSDs as either a reduction in nominal amount or as a pool factor, at the discretion of the ICSDs.]]

**[If the Notes are subject to Early Redemption at the Option of the Holder the following applies:**

**[(6)]** *Early Redemption at the Option of a Holder.*

(a) The Issuer shall, at the option of the Holder of any Note, redeem such Note on the Put Redemption Date(s) at the Put Redemption Amount(s) set forth below together with accrued interest, if any, to (but excluding) the Put Redemption Date.

<i>Put Redemption Date(s)</i>	<i>Put Redemption Amount(s)</i>
<b>[Put Redemption Dates(s)]</b>	<b>[Put Redemption Amount(s)]</b>
<b>[•]</b>	<b>[•]</b>
<b>[•]</b>	<b>[•]</b>

The Holder may not exercise such option in respect of any Note which is the subject of the prior exercise by the Issuer of any of its options to redeem such Note under this § 5.

(b) In order to exercise such option, the Holder must, not less than **[Minimum Notice to Issuer]** nor more than **[Maximum Notice to Issuer]** days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Redemption Notice (as defined below), submit during normal business hours at the specified office of the Fiscal Agent a duly completed early redemption notice ("**Put Redemption Notice**") in the form available from the specified offices of the Fiscal Agent and the Paying Agents. The Put Redemption Notice must specify (i) the principal amount of the Notes in respect of which such option is exercised, and (ii) the securities identification number of such Notes, if any. No option so exercised may be revoked or withdrawn. The Issuer shall only be required to redeem Notes in respect of which such option is exercised against delivery of such Notes to the Issuer or to its order.]

[(7)] *Early Redemption Amount.*

(a) For purposes of subparagraph (2) [and (3)] of this § 5 and § 9, the "**Early Redemption Amount**" of a Note shall be its principal amount.

**[If the Notes are subject to Early Redemption at the Option of the Issuer at Early Redemption Amount the following applies:**

[(b) For purposes of subparagraph [(5)] of this § 5, the Early Redemption Amount of a Note shall be the higher of (i) its Final Redemption Amount and (ii) the Present Value. The "**Present Value**" will be calculated by the Calculation Agent by discounting the sum of the principal amount of a Note and the remaining interest payments to **[Maturity Date][first call date]** on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Comparable Benchmark Yield plus **[percentage]%**. "**Comparable Benchmark Yield**" means the yield at the Redemption Calculation Date on the corresponding [euro denominated benchmark debt security of the Federal Republic of Germany] **[•]**, as daily published by the Deutsche Bundesbank on its website [www.bundesbank.de](http://www.bundesbank.de), as having a maturity comparable to the remaining term of the Note to **[Maturity Date][first call date]**, that would be used at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to **[Maturity Date][first call date]**. "**Redemption Calculation Date**" means the third Payment Business Day prior to the relevant Call Redemption Date.]

## § 6

### **(THE FISCAL AGENT[, ] [AND] THE PAYING AGENT [AND THE CALCULATION AGENT])**

(1) *Appointment; Specified Office.* The initial Fiscal Agent and the initial Paying Agent and its initial specified office shall be:

ING Bank N.V.  
Paying Agency Services  
Attn: Sjoukje Hollander  
Location Code: TRC 02.039  
Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands  
Tel.: +31 (0)20 5636546  
Email: [iss.pas@ing.nl](mailto:iss.pas@ing.nl)

The initial Paying Agent in Germany and its initial specified office shall be:

ING-DiBa AG  
Theodor-Heuss-Allee 2  
60486 Frankfurt am Main  
Germany

**[If the Fiscal Agent is to be appointed as Calculation Agent the following applies:** The Fiscal Agent shall also act as Calculation Agent.]

**[If a Calculation Agent other than the Fiscal Agent is to be appointed the following applies:** The Calculation Agent and its initial specified office shall be:

Calculation Agent: **[name and specified office]**

The Fiscal Agent [,][and] the Paying Agents [and the Calculation Agent] reserve the right at any

time to change their respective specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent [or the Calculation Agent] and to appoint another Fiscal Agent or additional or other Paying Agents [or another Calculation Agent]. The Issuer shall at all times maintain (i) a Fiscal Agent **[in the case of Notes listed on a stock exchange (the "Stock Exchange") the following applies: [.] [and]** (ii) so long as the Notes are listed on the **[name of Stock Exchange]**, a Paying Agent (which may be the Fiscal Agent) with a specified office in **[location of Stock Exchange]** and/or in such other place as may be required by the rules of such stock exchange **[and] [.] [(iii)]** a Paying Agent in an EU member state, if possible, that will not be obliged to withhold or deduct tax in connection with any payment made in relation to the Notes unless the Paying Agent would be so obliged in each other EU Member State if it were located there, **[in the case of payments in United States dollar the following applies: [and] [(iv)]** if payments at or through the offices of all Paying Agents outside the United States (as defined in § 1(6)) become illegal or are effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in United States dollar, a Paying Agent with a specified office in New York City], **[and [(v)]** a Calculation Agent **[if Calculation Agent is required to maintain a Specified Office in a Required Location the following applies:** with a specified office located in **[Required Location]**. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

(3) *Agent of the Issuer.* The Fiscal Agent **[,][and]** the Paying Agents **[and the Calculation Agent]** act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

## § 7 (TAXATION)

All payments of principal and interest made by the Issuer in respect of the Notes to the Holders shall be made free and clear of, and without withholding or deduction for, any present or future taxes or duties of whatever nature imposed or levied by way of deduction or withholding by or on behalf of the Federal Republic of Germany or any political subdivision or any authority therein or thereof having power to tax (the "**Taxing Jurisdiction**"), unless such deduction or withholding is required by law. In that event the Issuer shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to

(a) any taxes that are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or

(b) payments to, or to a third party on behalf of, a Holder where such Holder (or a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership or a corporation) is liable to such withholding or deduction by reason of having some present or former connection with Germany, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than by reason only of the holding of such Note or the receipt of the relevant payment in respect thereof or the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or

(c) payments to, or to a third party on behalf of, a Holder where no such withholding or deduction would have been required to be made if the Notes were credited at the time of payment to a securities deposit account with a bank, financial services institution, securities trading business or securities

trading bank, in each case outside Germany; or

(d) payments where such withholding or deduction is imposed pursuant to (i) any European Union Directive or Regulation concerning the taxation of savings, or (ii) any international treaty or understanding relating to such taxation and to which Germany or the European Union is a party/are parties, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

(e) payments to the extent such withholding or deduction is payable by or on behalf of a Holder who could lawfully mitigate (but has not so mitigated) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the payment is effected; or

(f) payments to the extent such withholding or deduction is payable by or on behalf of a Holder who would have been able to mitigate such withholding or deduction by effecting a payment via another Paying Agent in a member state of the European Union, not obliged to withhold or deduct tax; or

(g) payments to the extent such withholding or deduction is for or on account of the presentation by the Holder of any Note for payment on a date more than 30 days after the date upon which presentation may first be made hereunder; or

(h) payments to the extent such withholding or deduction is required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code; or

(i) any combination of items (a)-(h);

nor shall any Additional Amounts be paid with respect to any payment on a Note to a Holder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Note.

## **§ 8**

### **(PRESENTATION PERIOD)**

The presentation period provided in Section 801 paragraph 1, sentence 1 of the German Civil Code (*BGB*) is reduced to ten years for the Notes.

## **§ 9**

### **(EVENTS OF DEFAULT)**

(1) *Events of default.* Each Holder shall be entitled to declare due and payable by notice to the Fiscal Agent its entire claims arising from the Notes and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5 [(7)]), together with accrued interest (if any) to (but excluding) the date of repayment, in the event that:

(a) the Issuer fails to pay principal or interest under the Notes within 30 days from the relevant due date, or

(b) any Guarantor fails to pay amounts payable under the Guarantee within 30 days from the



relevant due date, or

(c) the Issuer fails to duly perform any other material obligation arising from the Notes or any Guarantor fails to perform any other material obligation arising from the Guarantee and such failure continues unremedied for more than 30 days after the Fiscal Agent has received a written request thereof in the manner set forth in § 9(3) from a Holder to perform such obligation; or

(d) (i) any Capital Market Indebtedness of the Issuer or any of its Material Subsidiaries or of any Guarantor or any of its Material Subsidiaries becomes prematurely repayable as a result of a default in respect of the terms thereof, or (ii) the Issuer or any of its Material Subsidiaries or any Guarantor or any of its Material Subsidiaries fails to fulfill any payment obligation under any Capital Market Indebtedness or under any guarantees or suretyships given for any Capital Market Indebtedness of others within 30 days from its due date or, in the case of such guarantee or suretyship, within 30 days of such guarantee or suretyship being invoked, given that the obligations under (i) and (ii) above exceed 2 per cent. of the balance sheet total of the Issuer, as stated in its latest consolidated balance sheet drawn up in accordance with IFRS and unless the Issuer or its relevant Material Subsidiary or the Guarantor or its relevant Material Subsidiary contests in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked or if a security granted therefor is enforced on behalf of or by the creditor(s) entitled thereto; or

(e) the Issuer or any Guarantor announces its inability to meet its financial obligations or ceases its payments generally; or

(f) a court opens insolvency proceedings against the Issuer or any Guarantor and such proceedings are instituted and have not been discharged or stayed within 90 days, or the Issuer or the Guarantor applies for or institutes such proceedings; or

(g) the Issuer or any Guarantor enters into liquidation unless this is done in connection with a merger (*Verschmelzung*) or other form of transformation under the German Transformation Act (*Umwandlungsgesetz*) or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the relevant Guarantor in connection with the Notes or the Guarantee; or

(h) any governmental order, decree or enactment shall be made in or by the Federal Republic of Germany whereby the Issuer or any Guarantor is prevented from observing and performing in full its obligations as set forth in these Terms and Conditions and in the Guarantee, respectively, and this situation is not cured within 90 days; or

(i) the Guarantee ceases to be valid and legally binding.

(2) *No Termination.* The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(3) *Notice.* Any default notice in accordance with § 9(1) shall be made by means of a written declaration delivered by hand or registered mail to the specified office of the Fiscal Agent together with evidence by means of a certificate of the Holder's Custodian (as defined in § 14(3)) that such Holder, at the time of such written notice, is a holder of the relevant Notes.

(4) *Quorum.* In the events specified in subparagraph (1) (c) and/or (d), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subparagraph (1) (a), (b) and (e) through (h) entitling Holders to declare their Notes due has occurred, become effective only when the Fiscal Agent has received such default notices from the Holders representing at least 25 per cent. of the aggregate principal amount of Notes then outstanding.

**§ 10**  
**(SUBSTITUTION)**

(1) *Substitution.* The Issuer (reference to which shall always include any previous Substitute Debtor (as defined below)) may, at any time, if no payment of principal of or interest on any of the Notes is in default, without the consent of the Holders, substitute for the Issuer any Affiliate (as defined below) of the Issuer as the principal debtor in respect of all obligations arising from or in connection with the Notes (any such company, the "**Substitute Debtor**"), provided that:

(a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes and is in a position to fulfill all payment obligations arising from or in connection with the Notes in the Specified Currency without, subject to para. (e) below, the necessity of any taxes or duties levied by the country or jurisdiction in which the Substitute Debtor is domiciled (other than taxes which would also be levied in the absence of such substitution) to be withheld or deducted at source and to transfer all amounts which are required therefore to the Paying Agent without any restrictions, and that in particular all necessary authorizations to this effect by any competent authority have been obtained, and, to the extent service of process must be effected to the Substitute Debtor outside of Germany, a service of process agent in Germany is appointed;

(b) the Issuer and the Guarantors if they are not themselves the Substitute Debtor irrevocably and unconditionally guarantee in favor of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms equivalent to the terms of the Guarantee (the "**Substitution Guarantee**");

(c) the Substitute Debtor, the Issuer and the Guarantors have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer and the Guarantors if they are not themselves the Substitute Debtor of the Substitution Guarantee in respect of the obligations of the Substitute Debtor, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Notes, and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor and the Substitution Guarantee given by the Issuer and the Guarantors if they are not themselves the Substitute Debtor are each valid and binding in accordance with their respective terms and enforceable by each Holder;

(d) § 9 shall be deemed to be amended so that it shall also be an Event of Default under such provision if the Substitution Guarantee shall cease to be valid or legally binding against the Issuer and the Guarantors if they are not themselves the Substitute Debtor;

(e) the Substitute Debtor undertakes to reimburse any Holder for such taxes, fees or duties which may be imposed upon such Holder in connection with any payments on the Notes (including taxes or duties being deducted or withheld at source), upon conversion or otherwise, as a consequence of the assumption of the Issuer's obligations by the Substitute Debtor, provided that such undertaking shall be limited to amounts that would not have been imposed upon the Holder had such substitution not occurred; and

(f) there shall have been delivered to the Fiscal Agent one opinion for each jurisdiction affected of lawyers of recognized standing to the effect that subparagraphs (a) through (e) above have been satisfied.

For purposes of this § 10, "**Affiliate**" shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) held by the Issuer.

(2) *Discharge from Obligations. References.* Upon a substitution in accordance with this § 10, the

Substitute Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer as issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution including that the relevant jurisdiction in relation to the Issuer in § 7 shall be the Substitute Debtor's country of domicile for tax purposes. Furthermore, in the event of such substitution the following shall apply:

(a) in § 7 and § 5(2) an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor;

(b) in § 9(1)(c) to (g) an alternative reference to the Issuer in its capacity as guarantor shall be deemed to have been included in addition to the reference to the Substitute Debtor.

Any such substitution, together with the notice referred to in subparagraph (3) below, shall, in the case of the substitution of any other company as principal debtor, operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes.

(3) *Notification to Holders.* Not later than 15 Payment Business Days after effecting the substitution, the Substitute Debtor shall give notice thereof to the Holders and, if any Notes are listed on any stock exchange, to such stock exchange in accordance with § 13 and to any other person or authority as required by applicable laws or regulations.

## § 11

### (FURTHER ISSUES, PURCHASES AND CANCELLATION)

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the settlement date, interest commencement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

## § 12

### (AMENDMENTS OF THE TERMS AND CONDITIONS BY RESOLUTIONS OF HOLDERS, JOINT REPRESENTATIVE)

(1) *Resolutions of Holders.* The Holders may with consent of the Issuer (if required) by a majority resolution pursuant to section 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*) (the "**SchVG**"), as amended from time to time, agree to amendments of the Terms and Conditions or resolve any other matters provided for by the SchVG. In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under section 5 paragraph 3 SchVG by resolutions passed by such majority of the votes of the Holders as stated under § 12(2) below. A duly passed majority resolution shall be binding upon all Holders.

(2) *Majority.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 SchVG, or relating to material other matters may only be passed by a majority of at least 75% of the voting rights participating in the vote (a "**Qualified Majority**").

(3) *Passing of resolutions.* The Holders can pass resolutions in a meeting (*Gläubigerversammlung*) in

accordance with section 5 et seqq. of the SchVG or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with section 18 and section 5 et seqq. of the SchVG.

(4) *Holders' meeting.* If resolutions of the Holders shall be made by means of a meeting the convening notice will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the convening notice. Attendance at the meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian (as defined in § 14 (3)) in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(5) *Vote without a meeting.* Together with casting their votes, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such votes have been cast until and including the day the voting period ends.

(6) *Second meeting.* If it is ascertained that no quorum exists for the meeting pursuant to § 12(4) or the vote without a meeting pursuant to § 12(4), in case of a meeting the chairman may convene a second meeting in accordance with Section 15 paragraph 3 sentence 2 of the SchVG or in case of a vote without a meeting the scrutineer may convene a second meeting within the meaning of Section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Holders' registration. The provisions set out in § 12(4) shall apply *mutatis mutandis* to the Holders' registration for a second meeting.

(7) *Holders' representative.* **[If no Holders' Representative is designated in the Terms and Conditions of the Notes the following applies:** The Holders may by majority resolution appoint a common representative to exercise the Holders' rights on behalf of each Holder (the "**Holders' Representative**").

The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities. The regulations of the SchVG apply with regard to the recall and the other rights and obligations of the Holders' Representative.]

**[If the Holders' Representative is appointed in the Terms and Conditions of the Notes, the following applies:** The joint representative (the "**Holders' Representative**") shall be [name and address]. The Holders' Representative shall have the duties and responsibilities and powers provided for by law. The liability of the Holders' Representative shall be limited to ten times of the amount of its annual remuneration, unless the Holders' Representative has acted wilfully or with gross negligence. The provisions of the SchVG apply with respect to the dismissal of the Holders' Representative and the other rights and obligations of the Holders' Representative.]

(8) *Publication.* Any notices concerning this § 12 shall be made exclusively pursuant to the provisions of the SchVG.

(9) *Guarantee.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to the Guarantee and any Substitution Guarantee.

### § 13 (NOTICES)

**[In the case of Notes which are listed on the official list of the Luxembourg Stock Exchange the following applies:**

- (1) *Publication.* All notices concerning the Notes will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).
- (2) *Notification to Clearing System.* So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been given on the seventh day after the day on which the said notice was given to the Clearing System.]

**[In the case of Notes which are listed on a stock exchange other than on the official list of the Luxembourg Stock Exchange the following applies:**

- (1) *Publication.* All notices concerning the Notes will be made by means of electronic publication on the internet website of the stock exchange with respect to which the Issuer applied for listing of the Notes, if the rules of such stock exchange so permit. Any such notice will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).
- (2) *Notification to Clearing System.* So long as any Notes are listed on such a stock exchange, subparagraph (1) shall apply. If the rules of such stock exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been given on the seventh day after the day on which the said notice was given to the Clearing System.]

**[In the case of Notes which are unlisted the following applies:**

*Notification to Clearing System.* The Issuer will deliver all notices to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System.]

### § 14 (APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT)

- (1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed in every respect by German law.
- (2) *Submission to Jurisdiction.* The District Court (*Landgericht*) in Frankfurt am Main shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.
- (3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or any Guarantor or to which such Holder and the Issuer or any Guarantor are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) which has been confirmed by the Clearing System; (ii) a

copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depositary of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes or (iii) any other means of proof permitted in legal proceedings in the country of enforcement. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and which maintains an account with the Clearing System, and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.

**§ 15**  
**(LANGUAGE)**

These Terms and Conditions are written in the English language only.

**OPTION II – Terms and Conditions for Notes without periodic interest payments ("Zero Coupon Notes")**

**§ 1**  
**(CURRENCY, DENOMINATION, FORM)**

(1) *Currency; Denomination.* This Series of Notes (the "**Notes**") of Eurogrid GmbH ("**Eurogrid**" or the "**Issuer**") is being issued in [**Specified Currency**] (the "**Specified Currency**") in the aggregate principal amount [**in the case the Global Note is an NGN the following applies: (subject to § 1(4))**] of [**Aggregate Principal Amount**] (in words: [**Aggregate Principal Amount in words**]) (the "**Aggregate Principal Amount**") in the denomination of [**Specified Denomination**] (the "**Specified Denomination**").

(2) *Form.* The Notes are being issued in bearer form.

**[In the case of Notes which are represented by a Permanent Global Note the following applies:**

(3) *Permanent Global Note.* The Notes are represented by a permanent global note (the "**Permanent Global Note**" or the "**Global Note**"). The Permanent Global Note shall be signed manually by authorized signatories of the Issuer and shall be authenticated by or on behalf of the Fiscal Agent. Definitive Notes will not be issued.]

**[In the case of Notes which are initially represented by a Temporary Global Note the following applies:**

(3) *Temporary Global Note — Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "**Permanent Global Note**" and together with the Temporary Global Note, the "**Global Notes**") without coupons. **[In the case of Euroclear and CBL and if the Global Note is an NGN the following applies:** The details of such exchange shall be entered in the records of the ICSDs (as defined below).] The Global Notes shall only be valid if each of them bears the handwritten signatures of two authorized representatives of the Issuer and the control signature of a person instructed by the Fiscal Agent. Definitive Notes will not be issued.

(b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not earlier than 40 days and not later than 180 days after the date of issue of the Notes. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40<sup>th</sup> day after the date of issue of the Notes will be treated as a request to exchange the Temporary Global Note pursuant to subparagraph (b) of this § 1(3). Any Notes delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 1(6).]

(4) *Clearing System.* Each Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means **[if more than one Clearing System the following applies: each of]** the following: [Clearstream Banking AG, Frankfurt am Main,] [Clearstream Banking, société anonyme Luxembourg ("**CBL**") [Euroclear Bank SA/NV Brussels as operator of the Euroclear System ("**Euroclear**") and any successor in such capacity. **[In the case of CBL and Euroclear as Clearing System the following applies:** "**International Central Securities Depository**" or "**ICSD**" means each of CBL and Euroclear (together,

the "ICSDs").]

**[In the case of Notes kept in custody on behalf of the ICSDs and the global note is a NGN, the following applies:** The Notes are issued in new global note ("NGN") form and are kept in custody by a common safekeeper on behalf of both ICSDs.

The principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal amount of Notes represented by the Global Note and, for these purposes, a statement issued by an ICSD stating the principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or interest payment being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered *pro rata* in the records of the ICSDs and, upon any such entry being made, the principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled.]

**[In the case of Notes kept in custody on behalf of the ICSDs and the global note is a CGN, the following applies:** The Notes are issued in classical global note ("CGN") form and are kept in custody by a common depositary on behalf of both ICSDs.]

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

**[In the case the Temporary Global Note is a NGN, the following applies:** On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered *pro rata* in the records of the ICSDs.]

(6) *United States.* For the purposes of these Terms and Conditions "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

## § 2

### (STATUS, NEGATIVE PLEDGE AND GUARANTEE)

(1) *Status.* The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge.* So long as any of the Notes remain outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, the Issuer undertakes (i) not to grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness, and (ii) to procure, to the extent legally permissible, that none of its Material Subsidiaries will grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any



such Capital Market Indebtedness, unless at the same time the Holders share equally and rateably in such security or such other security as shall be approved by an independent accounting firm as being equivalent security has been made available to Holders.

For purposes of these Terms and Conditions, "**Capital Market Indebtedness**" means any obligation for the payment of borrowed money (including contingent liabilities) which is represented by any bond or debt security with an original maturity of more than one year which is, or is intended to be, or is capable of being listed or traded on a stock exchange or other recognised securities market.

(3) *Guarantee and Negative Pledge.*

(a) Each of 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (each of them a "**Guarantor**" and together the "**Guarantors**") has given an unconditional and irrevocable guarantee (the "**Guarantee**") under which the Guarantors jointly and severally guarantee subject to certain limitations set out therein for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes.

The Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries in accordance with Section 328 paragraph 1 of the German Civil Code (*BGB*)<sup>1</sup>, giving rise to the right of each Holder to require performance of the Guarantee directly from the relevant Guarantor and to enforce the Guarantee directly against the relevant Guarantor. Copies of the Guarantee may be obtained free of charge at the specified office of the Fiscal Agent.

(b) Each Guarantor has undertaken in the Guarantee, as long as any of the Notes remain outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, (i) not to grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness (as defined in § 2 (2)), and (ii) to procure, to the extent legally possible, that none of its Material Subsidiaries will grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness, unless at the same time the Holders share equally and rateably in such security or such other security as shall be approved by an independent accounting firm as being equivalent security has been made available to Holders.

(c) For purposes of these Terms and Conditions, "**Material Subsidiary**" means a Subsidiary of the Issuer, or, as applicable, a Guarantor, (i) which, based on the latest audited annual consolidated financial statements of the Issuer (*Konzernabschluss*) and the latest audited annual financial statements of the relevant Subsidiary, has (x) unconsolidated gross assets (i.e. the sum of fixed assets (*Anlagevermögen*) and current assets (*Umlaufvermögen*) within the meaning of Section 266 paragraph 2 of the German Commercial Code (*HGB*) (without group internal positions) representing 10 per cent. or more of the consolidated gross assets of the Issuer, (y) unconsolidated operating profits before net interest expenses and taxes (without group internal positions) representing 10 per cent. or more of the consolidated operating profits before net interest expenses and taxes of the Issuer, or (ii) to which all or substantially all of the assets of a Subsidiary which was a Material Subsidiary before such transfer having occurred have been transferred, or to which such assets have passed in any other way, in which case the disposing entity will cease to be a Material Subsidiary. "**Subsidiary**" means (i) an entity of which a person owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership or (ii) an entity which is controlled, directly or indirectly, by a person within the meaning of

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<sup>1</sup> An English language convenience translation of Section 328 paragraph 1 of the German Civil Code (*BGB*) reads as follows: "A contract may stipulate performance for the benefit of a third party, to the effect that the third party acquires the right directly to demand performance".

### § 3 (INTEREST)

- (1) *No Periodic Payments of Interest.* There will not be any periodic payments of interest on the Notes.
- (2) *Late Payments.* If the Issuer for any reason fails to render any payment of principal in respect of the Notes when due, interest shall accrue at the default rate of interest established by statutory law<sup>2</sup> on the outstanding amount from (and including) the due date to (but excluding) the day on which such payment is made to the Holders.
- (3) *Day Count Fraction.* "**Day Count Fraction**" means in respect of a Calculation Period (as defined below in § 5 [(7)]).

**[In the case of 30/360, 360/360 or Bond Basis the following applies:** the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (A) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Calculation Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month).]

**[In the case of 30E/360 or Eurobond Basis the following applies:** the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).]

### § 4 (PAYMENTS)

- (1) *Payment of Principal.* Payment of principal in respect of the Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.
- (2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.
- (3) *Discharge.* The Issuer or, as the case may be, the Guarantors shall be discharged by payment to, or to the order of, the Clearing System.

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<sup>2</sup> The default rate of interest established by statutory law is five percentage points above the basis rate of interest published by *Deutsche Bundesbank* from time to time, Sections 288 paragraph 1, 247 paragraph 1 of the German Civil Code.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is

**[In the case the Notes are not denominated in Euro the following applies:** a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in **[relevant financial center(s)]** **][and]**

**[In the case the Clearing System and TARGET2 shall be open the following applies:** a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans European Automated Real time Gross Settlement Express Transfer payment system (TARGET2) are operational to forward the relevant payment].

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount of the Notes; the Amortized Face Amount of the Notes; **[if the Notes are redeemable at the option of the Issuer for other than tax reasons or reasons of minimal outstanding principal amount the following applies:** the Call Redemption Amount of the Notes;] **[if the Notes are redeemable at the option of the Holder the following applies:** the Put Redemption Amount of the Notes;] and any premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest.* The Issuer or, as the case may be, the Guarantors may deposit with the competent authority (*Hinterlegungsstelle*) at the seat of the Issuer (at the time of issuance of the Notes the local court (*Amtsgericht*) in Berlin-Tiergarten) principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

## **§ 5 (REDEMPTION)**

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on **[Maturity Date]** (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Note shall be its principal amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last tranche of this series of Notes was issued, the Issuer or the Guarantors, as the case may be, are required to pay Additional Amounts (as defined in § 7 herein) at maturity or upon sale or exchange of any Note, and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or a Guarantor, as the case may be, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Fiscal Agent and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below).

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantors would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due, or (ii) if at the time such notice is given, such obligation

to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by such number of managing directors of the Issuer as required to represent it, 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 or tax advisers of recognized standing to the effect that the Issuer or a Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment.

**[If the Notes are subject to Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Principal Amount, the following applies:**

**[(3)]** *Early Redemption at the Option of the Issuer for Reasons of Minimal Outstanding Principal Amount.*

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased by the Issuer, the Guarantors or any direct or indirect subsidiary of the Issuer or the Guarantors pursuant to the provisions of this § 5 or otherwise (a "**Clean-up Call Event**"), the Issuer may, on not less than 30 nor more than 60 days' notice to the Holders of Notes given within 30 days after the Clean-up Call Event, redeem, at its option, the remaining Notes as a whole at their Early Redemption Amount (as defined below).]

**[If the Notes are subject to Early Redemption at the Option of the Issuer at specified Call Redemption Amounts the following applies:**

**[(4)]** *Early Redemption at the Option of the Issuer.*

**[If the Notes are subject to Early Redemption at specific Call Redemption Dates, the following applies:**

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all or some only of the Notes at the Call Redemption Date(s) at the Call Redemption Amount(s) set forth below.

<i>Call Redemption Date(s)</i>	<i>Call Redemption Amount(s)</i>
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<b>[Call Redemption Date(s)]</b>	<b>[Call Redemption Amount(s)]</b>
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<b>[•]</b>	<b>[•]</b>
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<b>[•]</b>	<b>[•]</b>
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**[If the Notes are subject to Early Redemption at specific Call Redemption Periods, the following applies:**

(a) The Issuer may, upon notice given in accordance with clause (b), redeem all or some only of the Notes within the Call Redemption Period(s) at the Call Redemption Amount(s) set forth below.

<i>Call Redemption Period(s)</i>	<i>Call Redemption Amount(s)</i>
<b>[Call Redemption Period(s)]</b>	<b>[Call Redemption Amount(s)]</b>
<b>[•]</b>	<b>[•]</b>
<b>[•]</b>	<b>[•]</b>

**[If Notes are subject to Early Redemption at the Option of the Holder the following applies:** The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under subparagraph [(6)] of this § 5.]

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 13. Such notice shall specify:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes which are to be redeemed;
- (iii) the relevant redemption date, which shall be not less than **[Minimum Notice to Holders]** nor more than **[Maximum Notice to Holders]** days after the date on which notice is given by the Issuer to the Holders; and
- (iv) the Call Redemption Amount at which such Notes are to be redeemed.

(c) In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System. **[In the case of Notes in NGN form the following applies:** For technical procedure of the ICSDs, in the case of a partial redemption the outstanding principal amount following such partial redemption will be reflected in the records of the ICSDs as either a reduction in nominal amount or as a pool factor, at the discretion of the ICSDs.])

**[If the Notes are subject to Early Redemption at the Option of the Issuer at Early Redemption Amount the following applies:**

[(5)] *Early Redemption at the Option of the Issuer.*

(a) The Issuer may, upon notice given in accordance with clause (b), at any time redeem all or some only of the Notes (each a "**Call Redemption Date**") at the Early Redemption Amount (as defined below).

**[If Notes are subject to Early Redemption at the Option of the Holder the following applies:**

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under subparagraph

[(6)] of this § 5.]

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 13. Such notice shall specify:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes which are to be redeemed; and
- (iii) the Call Redemption Date, which shall be not less than **[Minimum Notice to Holders]** days nor more than **[Maximum Notice to Holders]** days after the date on which notice is given by the Issuer to the Holders.

(c) In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the rules of the relevant Clearing System.] **[In the case of Notes in NGN form the following applies:** For technical procedure of the ICSDs, in the case of a partial redemption the outstanding principal amount following such partial redemption will be reflected in the records of the ICSDs as either a reduction in nominal amount or as a pool factor, at the discretion of the ICSDs.])

**[If the Notes are subject to Early Redemption at the Option of the Holder the following applies:**

[(6)] *Early Redemption at the Option of a Holder.*

(a) The Issuer shall, at the option of the Holder of any Note, redeem such Note on the Put Redemption Date(s) at the Put Redemption Amount(s) set forth below.

<i>Put Redemption Date(s)</i>	<i>Put Redemption Amount(s)</i>
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<b>[Put Redemption Dates(s)]</b>	<b>[Put Redemption Amount(s)]</b>
<b>[•]</b>	<b>[•]</b>
<b>[•]</b>	<b>[•]</b>

The Holder may not exercise such option in respect of any Note which is the subject of the prior exercise by the Issuer of any of its options to redeem such Note under this § 5.

(b) In order to exercise such option, the Holder must, not less than **[Minimum Notice to Issuer]** nor more than **[Maximum Notice to Issuer]** days before the Put Redemption Date on which such redemption is required to be made as specified in the Put Redemption Notice (as defined below), submit during normal business hours at the specified office of the Fiscal Agent a duly completed early redemption notice ("**Put Redemption Notice**") in the form available from the specified offices of the Fiscal Agent and the Paying Agents. The Put Redemption Notice must specify (i) the principal amount of the Notes in respect of which such option is exercised, and (ii) the securities identification number of such Notes, if any. No option so exercised may be revoked or withdrawn. The Issuer shall only be required to redeem Notes in respect of which such option is exercised against delivery of such Notes to the Issuer or to its order.]

[(7)] *Early Redemption Amount.*

(a) For purposes of subparagraph (2) [and (3)] of this § 5 and § 9, the "**Early Redemption Amount**" of a Note shall be equal to the Amortized Face Amount of the Note.

The "**Amortized Face Amount**" of a Note shall be an amount equal to the sum of:

(i) **[Reference Price]** (the "**Reference Price** "), and

(ii) the product of **[Amortization Yield]** (compounded annually) and the Reference Price from (and including) **[Issue Date]** to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Notes become due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year (the "**Calculation Period**") shall be made on the basis of the Day Count Fraction (as defined in § 3).

If the Issuer fails to pay the Early Redemption Amount when due, the Amortized Face Amount of a Note shall be calculated as provided herein, except that references in subparagraph (a)(ii) above to the date fixed for redemption or (as the case may be) the date on which such Note becomes due and payable shall refer to the date on which, upon due presentation and surrender of the relevant Note (if required), payment is made. In such case, § 3 (2) does not apply.

**[If the Notes are subject to Early Redemption at the Option of the Issuer at Early Redemption Amount the following applies:**

[(b) For purposes of subparagraph [(5)] of this § 5, the Early Redemption Amount of a Note shall be the higher of (i) its Final Redemption Amount and (ii) the Present Value. The "**Present Value**" will be calculated by the Calculation Agent by discounting the sum of the principal amount of a Note using the Comparable Benchmark Yield plus **[percentage]**%. "**Comparable Benchmark Yield**" means the yield at the Redemption Calculation Date on the corresponding [euro denominated benchmark debt security of the Federal Republic of Germany] **[•]**, as daily published by the Deutsche Bundesbank on its website [www.bundesbank.de](http://www.bundesbank.de), as having a maturity comparable to the remaining term of the Note to **[Maturity Date][first call date]**, that would be used at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to **[Maturity Date][first call date]**. "**Redemption Calculation Date**" means the third Payment Business Day prior to the relevant Call Redemption Date.]

## **§ 6**

### **(THE FISCAL AGENT[, ] [AND] THE PAYING AGENT [AND THE CALCULATION AGENT])**

(1) *Appointment; Specified Office.* The initial Fiscal Agent and the initial Paying Agent and its initial specified office shall be:

ING Bank N.V.  
Paying Agency Services  
Attn: Sjoukje Hollander  
Location Code: TRC 02.039  
Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands  
Tel.: +31 (0)20 5636546  
Email: [iss.pas@ing.nl](mailto:iss.pas@ing.nl)

The initial Paying Agent in Germany and its initial specified office shall be:

ING-DiBa AG  
Theodor-Heuss-Allee 2  
60486 Frankfurt am Main  
Germany

**[If the Fiscal Agent is to be appointed as Calculation Agent the following applies:** The Fiscal Agent shall also act as Calculation Agent.]

**[If a Calculation Agent other than the Fiscal Agent is to be appointed the following applies:** The Calculation Agent and its initial specified office shall be:

Calculation Agent: **[name and specified office]**

The Fiscal Agent **[,][and]** the Paying Agents **[and the Calculation Agent]** reserve the right at any time to change their respective specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent **[or the Calculation Agent]** and to appoint another Fiscal Agent or additional or other Paying Agents **[or another Calculation Agent]**. The Issuer shall at all times maintain (i) a Fiscal Agent **[in the case of Notes listed on a stock exchange (the "Stock Exchange") the following applies: [,] [and]** (ii) so long as the Notes are listed on the **[name of Stock Exchange]**, a Paying Agent (which may be the Fiscal Agent) with a specified office in **[location of Stock Exchange]** and/or in such other place as may be required by the rules of such stock exchange **[and] [,] [(iii)]** a Paying Agent in an EU member state, if possible, that will not be obliged to withhold or deduct tax in connection with any payment made in relation to the Notes unless the Paying Agent would be so obliged in each other EU Member State if it were located there, **[in the case of payments in United States dollar the following applies: [and] [(iv)]** if payments at or through the offices of all Paying Agents outside the United States (as defined in § 1(6)) become illegal or are effectively precluded because of the imposition of exchange controls or similar restrictions on the full payment or receipt of such amounts in United States dollar, a Paying Agent with a specified office in New York City], **[and [(v)]** a Calculation Agent **[if Calculation Agent is required to maintain a Specified Office in a Required Location the following applies:** with a specified office located in **[Required Location]**. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

(3) *Agent of the Issuer.* The Fiscal Agent **[,][and]** the Paying Agents **[and the Calculation Agent]** act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

## **§ 7 (TAXATION)**

All payments of principal and interest made by the Issuer in respect of the Notes to the Holders shall be made free and clear of, and without withholding or deduction for, any present or future taxes or duties of whatever nature imposed or levied by way of deduction or withholding by or on behalf of the Federal Republic of Germany or any political subdivision or any authority therein or thereof having power to tax (the "**Taxing Jurisdiction**"), unless such deduction or withholding is required by law. In that event the Issuer shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to

(a) any taxes that are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or

(b) payments to, or to a third party on behalf of, a Holder where such Holder (or a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership or a corporation) is liable to such withholding or deduction by reason of having some



present or former connection with Germany, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than by reason only of the holding of such Note or the receipt of the relevant payment in respect thereof or the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or

(c) payments to, or to a third party on behalf of, a Holder where no such withholding or deduction would have been required to be made if the Notes were credited at the time of payment to a securities deposit account with a bank, financial services institution, securities trading business or securities trading bank, in each case outside Germany; or

(d) payments where such withholding or deduction is imposed pursuant to (i) any European Union Directive or Regulation concerning the taxation of savings, or (ii) any international treaty or understanding relating to such taxation and to which Germany or the European Union is a party/are parties, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or

(e) payments to the extent such withholding or deduction is payable by or on behalf of a Holder who could lawfully mitigate (but has not so mitigated) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the payment is effected; or

(f) payments to the extent such withholding or deduction is payable by or on behalf of a Holder who would have been able to mitigate such withholding or deduction by effecting a payment via another Paying Agent in a member state of the European Union, not obliged to withhold or deduct tax; or

(g) payments to the extent such withholding or deduction is for or on account of the presentation by the Holder of any Note for payment on a date more than 30 days after the date upon which presentation may first be made hereunder; or

(h) payments to the extent such withholding or deduction is required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code; or

(i) any combination of items (a)-(h);

nor shall any Additional Amounts be paid with respect to any payment on a Note to a Holder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Note.

## § 8 (PRESENTATION PERIOD)

The presentation period provided in Section 801 paragraph 1, sentence 1 of the German Civil Code (*BGB*) is reduced to ten years for the Notes.

**§ 9**  
**(EVENTS OF DEFAULT)**

(1) *Events of default.* Each Holder shall be entitled to declare due and payable by notice to the Fiscal Agent its entire claims arising from the Notes and demand immediate redemption thereof at the Early Redemption Amount (as described in § 5 [(7)]), in the event that:

(a) the Issuer fails to pay principal or interest under the Notes within 30 days from the relevant due date, or

(b) any Guarantor fails to pay amounts payable under the Guarantee within 30 days from the relevant due date, or

(c) the Issuer fails to duly perform any other material obligation arising from the Notes or any Guarantor fails to perform any other material obligation arising from the Guarantee and such failure continues unremedied for more than 30 days after the Fiscal Agent has received a written request thereof in the manner set forth in § 9(3) from a Holder to perform such obligation; or

(d) (i) any Capital Market Indebtedness of the Issuer or any of its Material Subsidiaries or of any Guarantor or any of its Material Subsidiaries becomes prematurely repayable as a result of a default in respect of the terms thereof, or (ii) the Issuer or any of its Material Subsidiaries or any Guarantor or any of its Material Subsidiaries fails to fulfill any payment obligation under any Capital Market Indebtedness or under any guarantees or suretyships given for any Capital Market Indebtedness of others within 30 days from its due date or, in the case of such guarantee or suretyship, within 30 days of such guarantee or suretyship being invoked, given that the obligations under (i) and (ii) above exceed 2 per cent. of the balance sheet total of the Issuer, as stated in its latest consolidated balance sheet drawn up in accordance with IFRS and unless the Issuer or its relevant Material Subsidiary or the Guarantor or its relevant Material Subsidiary contests in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked or if a security granted therefor is enforced on behalf of or by the creditor(s) entitled thereto; or

(e) the Issuer or any Guarantor announces its inability to meet its financial obligations or ceases its payments generally; or

(f) a court opens insolvency proceedings against the Issuer or any Guarantor and such proceedings are instituted and have not been discharged or stayed within 90 days, or the Issuer or the Guarantor applies for or institutes such proceedings; or

(g) the Issuer or any Guarantor enters into liquidation unless this is done in connection with a merger (*Verschmelzung*) or other form of transformation under the German Transformation Act (*Umwandlungsgesetz*) or other form of combination with another company and such company assumes all obligations contracted by the Issuer or the relevant Guarantor in connection with the Notes or the Guarantee; or

(h) any governmental order, decree or enactment shall be made in or by the Federal Republic of Germany whereby the Issuer or any Guarantor is prevented from observing and performing in full its obligations as set forth in these Terms and Conditions and in the Guarantee, respectively, and this situation is not cured within 90 days; or

(i) the Guarantee ceases to be valid and legally binding.

(2) *No Termination.* The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(3) *Notice.* Any default notice in accordance with § 9(1) shall be made by means of a written

declaration delivered by hand or registered mail to the specified office of the Fiscal Agent together with evidence by means of a certificate of the Holder's Custodian (as defined in § 14(3)) that such Holder, at the time of such written notice, is a holder of the relevant Notes.

(4) *Quorum.* In the events specified in subparagraph (1) (c) and/or (d), any notice declaring Notes due shall, unless at the time such notice is received any of the events specified in subparagraph (1) (a), (b) and (e) through (h) entitling Holders to declare their Notes due has occurred, become effective only when the Fiscal Agent has received such default notices from the Holders representing at least 25 per cent. of the aggregate principal amount of Notes then outstanding.

## § 10 (SUBSTITUTION)

(1) *Substitution.* The Issuer (reference to which shall always include any previous Substitute Debtor (as defined below)) may, at any time, if no payment of principal of or interest on any of the Notes is in default, without the consent of the Holders, substitute for the Issuer any Affiliate (as defined below) of the Issuer as the principal debtor in respect of all obligations arising from or in connection with the Notes (any such company, the "**Substitute Debtor**"), provided that:

(a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes and is in a position to fulfill all payment obligations arising from or in connection with the Notes in the Specified Currency without, subject to para. (e) below, the necessity of any taxes or duties levied by the country or jurisdiction in which the Substitute Debtor is domiciled (other than taxes which would also be levied in the absence of such substitution) to be withheld or deducted at source and to transfer all amounts which are required therefore to the Paying Agent without any restrictions, and that in particular all necessary authorizations to this effect by any competent authority have been obtained, and, to the extent service of process must be effected to the Substitute Debtor outside of Germany, a service of process agent in Germany is appointed;

(b) the Issuer and the Guarantors if they are not themselves the Substitute Debtor irrevocably and unconditionally guarantee in favor of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms equivalent to the terms of the Guarantee (the "**Substitution Guarantee**");

(c) the Substitute Debtor, the Issuer and the Guarantors have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer and the Guarantors if they are not themselves the Substitute Debtor of the Substitution Guarantee in respect of the obligations of the Substitute Debtor, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Notes, and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor and the Substitution Guarantee given by the Issuer and the Guarantors if they are not themselves the Substitute Debtor are each valid and binding in accordance with their respective terms and enforceable by each Holder;

(d) § 9 shall be deemed to be amended so that it shall also be an Event of Default under such provision if the Substitution Guarantee shall cease to be valid or legally binding against the Issuer and the Guarantors if they are not themselves the Substitute Debtor;

(e) the Substitute Debtor undertakes to reimburse any Holder for such taxes, fees or duties which may be imposed upon such Holder in connection with any payments on the Notes (including taxes or duties being deducted or withheld at source), upon conversion or otherwise, as a consequence of the assumption of the Issuer's obligations by the Substitute Debtor, provided that such undertaking shall be limited to amounts that would not have been imposed upon the Holder had such substitution not

occurred; and

(f) there shall have been delivered to the Fiscal Agent one opinion for each jurisdiction affected of lawyers of recognized standing to the effect that subparagraphs (a) through (e) above have been satisfied.

For purposes of this § 10, "**Affiliate**" shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of Sections 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) held by the Issuer.

(2) *Discharge from Obligations. References.* Upon a substitution in accordance with this § 10, the Substitute Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer as issuer and the Notes shall thereupon be deemed to be amended to give effect to the substitution including that the relevant jurisdiction in relation to the Issuer in § 7 shall be the Substitute Debtor's country of domicile for tax purposes. Furthermore, in the event of such substitution the following shall apply:

(a) in § 7 and § 5(2) an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor;

(b) in § 9(1)(c) to (g) an alternative reference to the Issuer in its capacity as guarantor shall be deemed to have been included in addition to the reference to the Substitute Debtor.

Any such substitution, together with the notice referred to in subparagraph (3) below, shall, in the case of the substitution of any other company as principal debtor, operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes.

(3) *Notification to Holders.* Not later than 15 Payment Business Days after effecting the substitution, the Substitute Debtor shall give notice thereof to the Holders and, if any Notes are listed on any stock exchange, to such stock exchange in accordance with § 13 and to any other person or authority as required by applicable laws or regulations.

## **§ 11**

### **(FURTHER ISSUES, PURCHASES AND CANCELLATION)**

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the settlement date and/or issue price) so as to form a single Series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Fiscal Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

## **§ 12**

### **(AMENDMENTS OF THE TERMS AND CONDITIONS BY RESOLUTIONS OF HOLDERS, JOINT REPRESENTATIVE)**

(1) *Resolutions of Holders.* The Holders may with consent of the Issuer (if required) by a majority resolution pursuant to section 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über*

*Schuldverschreibungen aus Gesamtemissionen*) (the "**SchVG**"), as amended from time to time, agree to amendments of the Terms and Conditions or resolve any other matters provided for by the SchVG. In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under section 5 paragraph 3 SchVG by resolutions passed by such majority of the votes of the Holders as stated under § 12(2) below. A duly passed majority resolution shall be binding upon all Holders.

(2) *Majority.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 SchVG, or relating to material other matters may only be passed by a majority of at least 75% of the voting rights participating in the vote (a "**Qualified Majority**").

(3) *Passing of resolutions.* The Holders can pass resolutions in a meeting (*Gläubigerversammlung*) in accordance with section 5 et seqq. of the SchVG or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with section 18 and section 5 et seqq. of the SchVG.

(4) *Holders' meeting.* If resolutions of the Holders shall be made by means of a meeting the convening notice will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Holders together with the convening notice. Attendance at the meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian (as defined in § 14(3)) in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(5) *Vote without a meeting.* Together with casting their votes, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such votes have been cast until and including the day the voting period ends.

(6) *Second meeting.* If it is ascertained that no quorum exists for the meeting pursuant to § 12(4) or the vote without a meeting pursuant to § 12(4), in case of a meeting the chairman may convene a second meeting in accordance with Section 15 paragraph 3 sentence 2 of the SchVG or in case of a vote without a meeting the scrutineer may convene a second meeting within the meaning of Section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Holders' registration. The provisions set out in § 12(4) shall apply *mutatis mutandis* to the Holders' registration for a second meeting.

(7) *Holders' representative.* **[If no Holders' Representative is designated in the Terms and Conditions of the Notes the following applies:** The Holders may by majority resolution appoint a common representative to exercise the Holders' rights on behalf of each Holder (the "**Holders' Representative**").

The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its

activities. The regulations of the SchVG apply with regard to the recall and the other rights and obligations of the Holders' Representative.]

**[If the Holders' Representative is appointed in the Terms and Conditions of the Notes, the following applies:** The joint representative (the "Holders' Representative") shall be [name and address]. The Holders' Representative shall have the duties and responsibilities and powers provided for by law. The liability of the Holders' Representative shall be limited to ten times of the amount of its annual remuneration, unless the Holders' Representative has acted wilfully or with gross negligence. The provisions of the SchVG apply with respect to the dismissal of the Holders' Representative and the other rights and obligations of the Holders' Representative.]

(8) *Publication.* Any notices concerning this § 12 shall be made exclusively pursuant to the provisions of the SchVG.

(9) *Guarantee.* The provisions set out above applicable to the Notes shall apply *mutatis mutandis* to the Guarantee and any Substitution Guarantee.

### **§ 13 (NOTICES)**

**[In the case of Notes which are listed on the official list of the Luxembourg Stock Exchange the following applies:**

(1) *Publication.* All notices concerning the Notes will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Any notice will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).

(2) *Notification to Clearing System.* So long as any Notes are listed on the official list of the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been given on the seventh day after the day on which the said notice was given to the Clearing System.]

**[In the case of Notes which are listed on a stock exchange other than the official list of the Luxembourg Stock Exchange the following applies:**

(1) *Publication.* All notices concerning the Notes will be made by means of electronic publication on the internet website of the stock exchange with respect to which the Issuer applied for listing of the Notes, if the rules of such stock exchange so permit. Any such notice will be deemed to have been validly given on the third day following the date of such publication (or, if published more than once, on the third day following the date of the first such publication).

(2) *Notification to Clearing System.* So long as any Notes are listed on such a stock exchange, subparagraph (1) shall apply. If the rules of such stock exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been given on the seventh day after the day on which the said notice was given to the Clearing System.]

**[In the case of Notes which are unlisted the following applies:**

*Notification to Clearing System.* The Issuer will deliver all notices to the Clearing System for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been

given to the Holders on the seventh day after the day on which the said notice was given to the Clearing System.]

#### § 14

##### (APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT)

- (1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed in every respect by German law.
- (2) *Submission to Jurisdiction.* The District Court (*Landgericht*) in Frankfurt am Main shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.
- (3) *Enforcement.* Any Holder of Notes may in any proceedings against the Issuer, or any Guarantor or to which such Holder and the Issuer or any Guarantor are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) which has been confirmed by the Clearing System; (ii) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depositary of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes or (iii) any other means of proof permitted in legal proceedings in the country of enforcement. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and which maintains an account with the Clearing System, and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of the Proceedings.

#### § 15

##### (LANGUAGE)

These Terms and Conditions are written in the English language only.

## FORM OF FINAL TERMS

In case of Notes listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms of Notes will be displayed on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In case of Notes listed on any other stock exchange, the Final Terms will be displayed on the website of Eurogrid GmbH ([www.eurogrid.com](http://www.eurogrid.com)).

[Date]

### FINAL TERMS

Eurogrid GmbH

[Title of relevant Series of Notes]

Series: [•], Tranche [•]

issued pursuant to the

**€ 5,000,000,000**

**Debt Issuance Programme**

dated 8 April 2016

of

**Eurogrid GmbH**

guaranteed by

**50Hertz Transmission GmbH and**

**50Hertz Offshore GmbH**

Issue Price: [ ] per cent.

Issue Date: [ ]<sup>1</sup>

These are the Final Terms of an issue of Notes under the € 5,000,000,000 Debt Issuance Programme of Eurogrid GmbH (the "**Programme**") which have been prepared for the purpose of Article 5 (4) of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended. Full information on Eurogrid GmbH and the offer of the Notes is only available on the basis of the combination of the Base Prospectus dated 8 April 2016 [as supplemented by [a] Supplement[s] dated [•]] (the "**Prospectus**") and these Final Terms, which must be read in conjunction with each other. The Prospectus and any supplement thereto are available for viewing in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the website of Eurogrid GmbH ([www.eurogrid.com](http://www.eurogrid.com)) and copies may be obtained free of charge at the specified office of the Fiscal Agent and from Eurogrid GmbH, Eichenstraße 3A, 12435 Berlin, Germany, provided that, in the case of Notes which are not listed on any stock exchange, copies of the relevant Final Terms will only be available to Holders of such Notes.

[This Tranche of Notes will be consolidated and form a single Series with [Title(s) of relevant Tranches of Notes] on [•].]<sup>2</sup>

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<sup>1</sup> The Issue is the date of payment and settlement of the Notes. In the case of free delivery, the Issue Date is the delivery date.

<sup>2</sup> To be inserted in the case that the Notes will be consolidated and form a single Series with one or several existing Tranches of Notes.



## Part I.: TERMS AND CONDITIONS

**[A. In the case the options applicable to the relevant Tranche of Notes are to be determined by replicating the relevant provisions set forth in the Prospectus as Option I, Option I A or Option II, including certain further options contained therein, respectively, and completing the relevant placeholders, insert:**

The Terms and Conditions applicable to the Notes (the "**Conditions**") are as set out below.

[in the case of Fixed Rate Notes replicate here the relevant provisions of Option I or Option I A<sup>3</sup> including relevant further options contained therein, and complete relevant placeholders]

[in the case of Zero Coupon Notes replicate here the relevant provisions of Option II including relevant further options contained therein, and complete relevant placeholders]]

**[B. In the case the options applicable to the relevant Tranche of Notes are to be determined by referring to the relevant provisions set forth in the Prospectus as Option I, Option I A or Option II, including certain further options contained therein, respectively, insert:**

This Part I. of the Final Terms is to be read in conjunction with the set of Terms and Conditions that apply to [Fixed Rate] [Zero Coupon] Notes (the "**Terms and Conditions**") set forth in the Prospectus as [Option I] [Option I A]<sup>4</sup> [Option II]. Capitalised terms not otherwise defined herein shall have the meanings specified in the Terms and Conditions.

All references in this Part I. of the Final Terms to numbered paragraphs and subparagraphs are to paragraphs and subparagraphs of the Terms and Conditions.

The blanks in the provisions of the Terms and Conditions, which are applicable to the Notes shall be deemed to be completed with the information contained in the Final Terms as if such information were inserted in the blanks of such provisions. All provisions in the Terms and Conditions corresponding to items in these Final Terms which are either not selected or not completed or which are deleted shall be deemed to be deleted from the Terms and Conditions applicable to the Notes (the "**Conditions**").

### CURRENCY, DENOMINATION, FORM (§ 1)

#### Currency and Denomination

Specified Currency	[ ]
Aggregate Principal Amount	[ ]
Aggregate Principal Amount in words	[ ]
Specified Denomination(s) <sup>5</sup>	[ ]

☐ **Permanent Global Note**

☐ **Temporary Global Note exchangeable for Permanent Global Note**

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<sup>3</sup> In case of an increase of an issue of Notes which were originally issued prior to the date of this Prospectus, the Terms and Conditions of the Tranches have to be identical in all respects, but may have different issue dates, interest commencement dates, issue prices and dates for first interest payments.

<sup>4</sup> In case of an increase of an issue of Notes which were originally issued prior to the date of this Prospectus, the Terms and Conditions of the Tranches have to be identical in all respects, but may have different issue dates, interest commencement dates, issue prices and dates for first interest payments.

<sup>5</sup> At least € 100,000 or its equivalent in any other currency.

**Global Note<sup>6</sup>**

- ☐ Classical Global Note (CGN)
- ☐ New Global Note (NGN)

**Clearing System**

- ☐ Clearstream Banking AG, Frankfurt am Main
- ☐ Clearstream Banking, société anonyme, Luxembourg
- ☐ Euroclear Bank SA/NV, Brussels

**INTEREST (§ 3)**

- ☐ **Fixed Rate Notes [(Option I)] [(Option I A)]**

**Rate of Interest and Interest Payment Dates**

Rate of Interest	[   ] per cent. <i>per annum</i>
Interest Commencement Date	[   ]
Interest Payment Date(s)	[   ]
First Interest Payment Date	[   ]
Initial Broken Amount (per Specified Denomination)	[   ]
Last Interest Payment Date preceding the Maturity Date	[   ]
Final Broken Amount (per Specified Denomination)	[   ]
Number of regular Interest Payment Dates per calendar year	[   ]

- ☐ **Zero Coupon Notes (Option II)**

**Amortized Face Amount**

Reference Price	[   ]
Amortization Yield	[   ]

**Day Count Fraction**

- ☐ Actual/Actual (ICMA)
- ☐ 30/360, 360/360 or Bond Basis
- ☐ 30E/360 or Eurobond Basis

**PAYMENTS (§ 4)****Payment Business Day**

- ☐ Relevant Financial Center(s) [   ]
- ☐ Clearing System and TARGET2

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<sup>6</sup> Complete for Notes kept in custody on behalf of the ICSDs.

## REDEMPTION (§ 5)

### Final Redemption

Maturity Date [ ]

### Early Redemption

**Early Redemption at the Option of the Issuer for reason of Minimal Outstanding Principal Amount** [Yes/No]

**Early Redemption at the Option of the Issuer at specified Call Redemption Amounts** [Yes/No]

Call Redemption Date(s) [Not applicable.] [ ]

Call Redemption Period(s) [Not applicable.] [ ]

Call Redemption Amount(s) [ ]

Minimum Notice<sup>7</sup> [ ]

Maximum Notice [ ]

**Early Redemption at the Option of the Issuer at Early Redemption Amount** [Yes/No]

Early Redemption Amount

Percentage above Comparable Benchmark Yield [ ] per cent.

Relevant benchmark security

☐ Euro denominated benchmark debt security of the Federal Republic of Germany

☐ Other [ ]

☐ Maturity Date

☐ First call date [ ]

Minimum Notice<sup>8</sup> [ ]

Maximum Notice [ ]

**Early Redemption at the Option of a Holder** [Yes/No]

Put Redemption Date(s) [ ]

Put Redemption Amount(s) [ ]

Minimum Notice [ ] days

Maximum Notice (not more than 60 days) [ ] days

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<sup>7</sup> Euroclear requires a minimum notice period of five days.

<sup>8</sup> Euroclear requires a minimum notice period of five days.

**THE FISCAL AGENT[, ] [AND] THE PAYING AGENT [AND THE CALCULATION AGENT] (§ 6)**

<b>Calculation Agent</b>	[Yes/No]
<input type="checkbox"/> Fiscal Agent	
<input type="checkbox"/> Other	[   ]
Specified Office	[   ]
<input type="checkbox"/> Required Location	[   ]

**AMENDMENTS OF THE TERMS AND CONDITIONS BY RESOLUTIONS OF HOLDERS, JOINT REPRESENTATIVE (§ 12)**

**Holder’s Representative**

<input type="checkbox"/> No Holder’s Representative is designated in the Conditions.	
<input type="checkbox"/> A Holder’s Representative is appointed in the Conditions.	
Name of Holders’ Representative	[   ]
Address of Holders’ Representative	[   ]

## Part II.: ADDITIONAL INFORMATION<sup>9</sup>

### A. Essential information

**Interests of Natural and Legal Persons involved in the Issue**

[Not applicable] [specify details]

**Use of proceeds<sup>10</sup>**

[specify details]

[Estimated net proceeds<sup>11</sup>]

[ ]

**Eurosystem eligibility<sup>12</sup>**

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

[Yes/No]

[Yes. Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper, and 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.]

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

### B. Information concerning the securities to be admitted to trading

#### Securities Identification Numbers

Common Code

[ ]

ISIN

[ ]

German Securities Code (WKN)

[ ]

Any other securities number

[ ]

**Yield to final maturity<sup>13</sup>**

[ ]

**Resolutions, authorisations and approvals by virtue of which the Notes will be created**

[Specify details]

<sup>9</sup> There is no obligation to complete Part II. of the Final Terms in its entirety in case of Notes that will not be listed on any regulated market within the European Economic Area. To be completed in consultation with the Issuer.

<sup>10</sup> See "Use of Proceeds" wording in the Prospectus. If reasons for the offer are different from general financing purposes of the Issuer include those reasons here.

<sup>11</sup> If proceeds are intended for more than one use they will need to be split out and presented in order of priority.

<sup>12</sup> Select "Yes" if the Notes are in NGN form and are to be kept in custody by an ICSD as common safekeeper or if the Notes are in CGN form and to be kept in custody by Clearstream Banking AG, Frankfurt. Select "No" if the Notes are in NGN form and are to be kept in custody by the common service provider as common safekeeper.

<sup>13</sup> Only applicable for Fixed Rate Notes.

**C. Terms and conditions of the offer**

**Method of distribution**

- ☐ Non-syndicated  
☐ Syndicated

**Subscription Agreement**

Date of Subscription Agreement [ ]  
Material Features of the Subscription Agreement: [ ]

**Management Details**

Specify Management Group or Dealer (names and addresses) [ ]

**Commissions**

Management/Underwriting Commission (specify) [ ]  
Selling Concession (specify) [ ]  
Listing Commission (specify) [ ]

**Stabilising Dealer/Manager** [insert details/None]

**D. Listing(s) and admission to trading** [Yes/No]

- ☐ Official list of the Luxembourg Stock Exchange and regulated market of the Luxembourg Stock Exchange  
☐ Other [ ]

**Date of admission** [ ]

Estimate of the total expenses related to admission to trading [ ]

**E. Additional Information**

**Rating of the Notes** [Not applicable] [ ]

[Moody's Investors Service, Inc. is established in the European Community and is registered pursuant to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended.][Fitch Ratings Ltd. is established in the European Community and is registered pursuant to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended.][specify other rating agency whether the relevant rating agency is established in the European Community and is registered or has applied for registration pursuant to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended.] The European Securities and Markets Authority ("ESMA") publishes on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

**[Third Party Information]**

With respect to any information included herein and specified to be sourced from a third party (i) the Issuer confirms that any such information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information available to it from such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading and (ii) the Issuer or the Guarantors have not independently verified any such information and accept no responsibility for the accuracy thereof.】

**Eurogrid GmbH**

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**[Name and title of signatory]**

## GUARANTEE AND NEGATIVE PLEDGE ("GUARANTEE")

of

**50Hertz Transmission GmbH, Berlin, Federal Republic of Germany, and of  
50Hertz Offshore GmbH, Berlin, Federal Republic of Germany,  
for the benefit of the holders of notes (the "Notes"), issued by Eurogrid GmbH, Berlin, Germany  
under its € 5,000,000,000 Debt Issuance Programme (the "Programme")**

WHEREAS:

- (A) Eurogrid GmbH ("**Eurogrid**" or the "**Issuer**") intends to issue Notes under the Programme from time to time, the outstanding aggregate nominal amount of which will not exceed the programme amount of € 5,000,000,000.
- (B) The Notes will be issued with Terms and Conditions under German law (as amended, supplemented or modified by the applicable Final Terms, or, subsequent to their issuance, by majority resolution of the Holders, the "**Conditions**").
- (C) Each of 50Hertz Transmission GmbH and 50Hertz Offshore GmbH (each of them a "**Guarantor**" and together the "**Guarantors**") intends to give an unconditional and irrevocable guarantee under which the Guarantors jointly and severally guarantee subject to certain limitations for the due and punctual payment of principal of, and interest on, and any other amounts payable under any Notes. Each Guarantor furthermore intends to enter into a negative pledge for the benefit of each Holder of Notes that may be issued under the Programme from time to time.

IT IS AGREED AS FOLLOWS:

- (1) Guarantee: Each Guarantor jointly and severally (*als Gesamtschuldner*) and unconditionally and irrevocably guarantees (*garantiert*) by way of independent payment obligation (*selbständiges Zahlungsversprechen*) to each Holder of a Note (which expression shall include any Note represented by a Temporary Global Note or Permanent Global Note) issued by Eurogrid on or after the date hereof under the Programme, the due and punctual payment of the principal of, and interest on, the Notes and any other amounts which may be payable under the relevant Note, as and when the same shall become due, in accordance with the Conditions.
- (2) Status of Guarantee: This Guarantee constitutes an unconditional, irrevocable, unsecured (subject to paragraph (4) hereunder) and unsubordinated obligation of the respective Guarantor on a joint and several basis, and ranks *pari passu* with all other present or future unsecured and unsubordinated obligations of the respective Guarantor outstanding from time to time, subject to any obligations preferred by law.
- (3) Payments Free of Taxes: All amounts payable in respect of this Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes or duties of whatever nature imposed or levied by way of deduction or withholding by or on behalf of the Federal Republic of Germany or any political subdivision or any authority therein or thereof having power to tax, unless such deduction or withholding is required by law. In that event the Guarantor shall pay such additional amounts (the "**Additional Amounts**") as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable with respect to:



- (a) any taxes that are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Guarantor from payments of principal or interest made by it; or
- (b) payments to, or to a third party on behalf of, a Holder where such Holder (or a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership or a corporation) is liable to such withholding or deduction by reason of having some present or former connection with Germany, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than by reason only of the holding of such Note or the receipt of the relevant payment in respect thereof or the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or
- (c) payments to, or to a third party on behalf of, a Holder where no such withholding or deduction would have been required to be made if the Notes were credited at the time of payment to a securities deposit account with a bank, financial services institution, securities trading business or securities trading bank, in each case outside Germany; or
- (d) payments where such withholding or deduction is imposed pursuant to (i) any European Union Directive or Regulation concerning the taxation of savings, or (ii) any international treaty or understanding relating to such taxation and to which Germany or the European Union is a party/are parties, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or
- (e) payments to the extent such withholding or deduction is payable by or on behalf of a Holder who could lawfully mitigate (but has not so mitigated) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the payment is effected; or
- (f) payments to the extent such withholding or deduction is payable by or on behalf of a Holder who would have been able to mitigate such withholding or deduction by effecting a payment via another Paying Agent in a member state of the European Union, not obliged to withhold or deduct tax; or
- (g) payments to the extent such withholding or deduction is for or on account of the presentation by the Holder of any Note for payment on a date more than 30 days after the date upon which presentation may first be made hereunder; or
- (h) payments to the extent such withholding or deduction is required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code; or
- (i) any combination of items (a)-(h);

nor shall any Additional Amounts be paid with respect to any payment on a Note to a Holder who is a fiduciary or partnership or who is other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a

member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Note.

- (4) Negative Pledge: Each Guarantor undertakes towards each Holder, so long as any of the Notes remain outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, (i) not to grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness, and (ii) to procure, to the extent legally permissible, that none of its Material Subsidiaries will grant or permit to subsist any mortgage, land charge, lien or any other security right in rem (*dingliches Sicherungsrecht*) over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness or any guarantee or other suretyship in respect of any such Capital Market Indebtedness, unless at the same time the Holders share equally and rateably in such security or such other security as shall be approved by an independent accounting firm as being equivalent security has been made available to Holders.

For these purposes, "Capital Market Indebtedness" means any obligation for the payment of borrowed money (including contingent liabilities) which is represented by any bond or debt security with an original maturity of more than one year which is, or is intended to be, or is capable of being listed or traded on a stock exchange or other recognised securities market.

For these purposes, "Material Subsidiary" means a Subsidiary of the Guarantor, (i) which, based on the latest audited annual consolidated financial statements of the Issuer (*Konzernabschluss*) and the latest audited annual financial statements of the relevant Subsidiary, has (x) unconsolidated gross assets (i.e. the sum of fixed assets (*Anlagevermögen*) and current assets (*Umlaufvermögen*) within the meaning of Section 266 paragraph 2 of the German Commercial Code (HGB) (without group internal positions) representing 10 per cent. or more of the consolidated gross assets of the Issuer, (y) unconsolidated operating profits before net interest expenses and taxes (without group internal positions) representing 10 per cent. or more of the consolidated operating profits before net interest expenses and taxes of the Issuer, or (ii) to which all or substantially all of the assets of a Subsidiary which was a Material Subsidiary before such transfer having occurred have been transferred, or to which such assets have passed in any other way, in which case the disposing entity will cease to be a Material Subsidiary. "**Subsidiary**" means (i) an entity of which a person owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership or (ii) an entity which is controlled, directly or indirectly, by a person within the meaning of Section 17 of the German Stock Corporation Act (*Aktiengesetz*).

- (5) Separate Liability: The obligations of each Guarantor under this Guarantee (i) shall be separate and independent from the obligations of the Issuer under the Notes as well as from the obligations of the other Guarantor or any other present or future guarantor of the Notes, and (ii) shall exist irrespective of the legality, validity and binding effect or enforceability of the Notes issued under the Programme. Payment of any amounts under the Guarantee excludes the right of a Holder to demand payment of such amounts from the Issuer. Nothing in this Guarantee shall limit own objections or legal defences of a Guarantor against a Holder or the non-occurrence of a payment obligation under the Guarantee (*Nichtvorliegen eines Garantiefalls*).
- (6) Avoidance of Payments: If a payment of a Guarantor under the Guarantee was challenged or reduced in an insolvency or liquidation or on a similar legal basis, the obligations of the Guarantors remain as if the payment, the waiver, reduction or avoidance would not have occurred.

- (7) Extension to obligations of Substitute Debtor: The obligations of each Guarantor under this Guarantee shall, without any further act or thing being required to be done or to occur, extend to the obligations of any Substitute Debtor which is not the Guarantor arising in respect of any Note by virtue of a substitution pursuant to the Conditions.
- (8) Contract for the benefit of third parties: This Guarantee constitutes a contract for the benefit of the Holders from time to time as third party beneficiaries pursuant to Sec. 328 (1) of the German Civil Code (*BGB*). They give rise to the right of each such Holder to require performance of the obligations undertaken herein directly from each Guarantor, and to enforce such obligations directly against each Guarantor.

Any Holder has the right in case of non-performance of any payments on the Notes to enforce the Guarantee by filing a suit directly against the respective Guarantor without the need to take prior proceedings against the Issuer.

- (9) Limitations on Enforcement: The enforcement of claims under the Guarantee is subject to the following limitations (the "**Limitations on Enforcement**"):
  - (a) No Holder nor any other person shall be entitled to enforce the Guarantee against a Guarantor if
    - (i) the Guarantee secures an obligation of an affiliated company (*verbundenes Unternehmen*) within the meaning of Section 15 of the German Stock Corporation Act (*Aktiengesetz*) (the "**Stock Corporation Act**") (in each case other than any of the relevant Guarantor's direct or indirect subsidiaries), and (ii) the enforcement of the Guarantee would cause
      - (x) the relevant Guarantor's net assets (*Nettovermögen*) (the "**Net Assets**") to be less than its stated share capital (*Stammkapital*) (*Begründung einer Unterbilanz*), or
      - (y) (if its Net Assets are already lower than its stated share capital) such amount to be further reduced (*Vertiefung einer Unterbilanz*),
 and thereby affects its assets which are required for the obligatory preservation of its stated share capital according to Section 30 et seq. of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "**GmbH-Act**") (each, a "**Capital Impairment**"); or
    - (z) such Guarantor demonstrates that such enforcement has the effect that the Guarantor would be unable to make payments as they fall due (*Zahlungsunfähigkeit*), thereby taking into account all possible measures in order to increase its liquidity (*Zahlungsfähigkeit*) to the extent necessary to satisfy the amounts demanded under this Guarantee (a "**Liquidity Impairment**").
  - (b) For the purpose of determining whether a Capital Impairment has occurred:
    - (i) any recourse claim (*Rückgriffsanspruch*) which the relevant Guarantor has, or would acquire against a shareholder or another affiliate in the meaning of section 15 of the Stock Corporation Act as a result of the enforcement of the Guarantee, shall be taken into account to the extent that such recourse claim is valuable (*werthaltig*). To the extent that there is such valuable (*werthaltig*) recourse claim, no Limitations on Enforcement apply;
    - (ii) the value of the Net Assets shall be determined in accordance with accounting principles generally accepted in Germany from time to time consistently applied by the relevant Guarantor in preparing its unconsolidated balance sheets (*Jahresabschluss* according to Section 42 of the GmbH-Act and Sections 242 and 264 of the German Commercial Code (*Handelsgesetzbuch*)) in the previous years;

- (iii) in case the stated share capital of the relevant Guarantor is not fully paid up (*nicht voll eingezahlt*) and has not been demanded (*nicht eingefordert*), the amount which is not paid up and not demanded shall be deducted from the stated share capital;
  - (iv) the amount of any increase of the relevant Guarantor's stated share capital that has been effected out of retained earnings (*Kapitalerhöhung aus Gesellschaftsmitteln*) shall be disregarded to the extent that such increase would cause such Guarantor's Net Assets to fall below its stated share capital.
- (c) The Limitations on Enforcement do not apply to a Guarantor:
  - (i) if and to the extent that such Guarantor's managing directors (*Geschäftsführer*) on behalf of such Guarantor have not notified (in accordance with § 13 of the Conditions (Notices)) the relevant Holder in writing within 15 Guarantee Business Days after the Holder has notified such Guarantor of its intention to demand payment under the Guarantee that a Capital Impairment or Liquidity Impairment would occur (setting out in reasonable detail (including an up-to-date balance sheet) to what extent a Capital Impairment or Liquidity Impairment would occur and establishing prima facie evidence (*glaubhaft machen*) that the measures undertaken in accordance with Clause (8)(d)(i) below would not prevent such Capital Impairment or Liquidity Impairment); (A "**Guarantee Business Day**" means a day (other than a Saturday or a Sunday) on which banks are open for general business in Amsterdam (The Netherlands), London (United Kingdom), Luxembourg (Luxembourg), Berlin and Frankfurt am Main (Germany)) and/or
  - (ii) if such Guarantor has not provided (in accordance with § 13 of the Conditions (Notices)) an Auditors' Determination (as defined below) to the relevant Holder within 45 days from the date the Holder has received the written notice by the managing director(s) (*Geschäftsführer*) of such Guarantor referred to above; and/or
  - (iii) in relation to amounts that correspond to such part of the issuance proceeds of the Notes (if any) that have been on-lent or otherwise passed on to such Guarantor or any of its subsidiaries and have not been repaid by such Guarantor; and/or
  - (iv) with regards to a Limitation of Enforcement due to a Capital Impairment only, if and so long as a domination agreement (*Beherrschungsvertrag*) and/or a profit and loss transfer agreement (*Gewinn- und Verlustabführungsvertrag*) (either directly or through a chain of domination and/or profit and loss transfer agreements) is or becomes effective between such Guarantor and the Issuer, unless the relevant Guarantor would not be able to recover (including being restricted from enforcing or exercising any right to recover) the annual loss (*Jahresfehlbetrag*) which the Issuer in its capacity as dominating entity (*herrschendes Unternehmen*) is obliged to pay pursuant to Section 302 Stock Corporation Act; and/or
  - (v) if and to the extent, at the time of enforcement of the Guarantee, the restrictions under Clause (9)(a) are, due to a change of the applicable laws or otherwise, not required to protect the managing directors of the relevant Guarantor or of any of its direct or indirect shareholders from the risk of personal liability; and/or
  - (vi) if and to the extent that a Guarantor is legally permitted to take measures (including, without limitation, setting-off claims) to avoid the demanding of payment under the Guarantee causing a Capital Impairment provided that it is commercially justifiable to take such measures.
- (d) If any Guarantor intends to demonstrate that the enforcement of the Guarantee would lead to the occurrence of a Capital Impairment or a Liquidity Impairment, then such Guarantor shall:

- (i) realise at market value all of its assets that are shown in its balance sheet with a book value (*Buchwert*) which is significantly lower than its market value and which are not necessary for such Guarantor's business (*nicht betriebsnotwendig*), to the extent necessary to satisfy the amounts demanded under the Guarantee; and
  - (ii) instruct, at its own cost and expense, an independent accounting firm of international standing to determine whether (and, if so, to what extent) payment under the Guarantee would cause a Capital Impairment or Liquidity Impairment, taking into account the adjustments set forth under Clauses (9)(b), (9)(c) and (9)(d)(i) (the "**Auditors' Determination**").
- (e) The Limitations on Enforcement do not affect the right of the Holders to claim again any outstanding amount under the Guarantee at a later point in time if and to the extent that Clause (9) would allow this at that later point in time.
- (10) ING Bank N.V., which accepted this Guarantee, in its capacity as Fiscal Agent does not act in a relationship of agency or trust, a fiduciary or in any other similar capacity for the Holders.
- (11) Exercise of Guarantors' Rights: So long as any sum remains payable under the Notes or this Guarantee, no right of the Guarantors, by reason of the performance of any of its obligations under this Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. For the avoidance of doubt, this shall not apply to any claim pursuant to, or within the meaning of, Section 302 of the German Stock Corporation Act or any successor provision.
- (12) Amendment of Guarantee: The Holders may consent to amendments of this Guarantee by majority resolution passed in accordance with § 12 of the Conditions, provided that no obligation to make any payment or render any other performance shall be imposed on any Holder by majority resolution. Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.
- (13) Terms used herein and not otherwise defined herein shall have the meaning attributed to them in the Conditions.
- (14) This Guarantee shall be governed by, and construed in accordance with, German law.
- (15) This Guarantee is written in the English language only.
- (16) The original version of this Guarantee shall be delivered to, and kept by, the Fiscal Agent.
- (17) Place of performance shall be Berlin.
- (18) Non-exclusive place of jurisdiction for all legal proceedings arising out of or in connection with this Guarantee against the Guarantors shall be Frankfurt am Main.
- (19) On the basis of a copy of this Guarantee certified as being a true copy by a duly authorised officer of the Fiscal Agent each Holder may protect and enforce in his own name his rights arising under this Guarantee in any legal proceedings against the respective Guarantor or to which such Holder and the Guarantor are parties, without the need for production of this Guarantee in such proceedings.

13 May 2015

50Hertz Transmission GmbH

50Hertz Offshore GmbH

We accept the terms of the above Guarantee without recourse, warranty or liability.

13 May 2015

ING Bank N.V.

## **USE OF PROCEEDS**

Except as disclosed in the relevant Final Terms, as applicable, the net proceeds of the issue of each Tranche of Notes will be used 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.

## TAXATION

The following is a general discussion of certain tax consequences under the tax laws of the Federal Republic of Germany and the Grand Duchy of Luxembourg of the acquisition and ownership of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. As each Tranche of Notes may be subject to a different tax treatment due to the specific terms of such Tranche of Notes as set out in the respective Final Terms, the following section only provides some very general information on the possible tax treatment. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This overview is based on the laws of the Federal Republic of Germany and the Grand Duchy of Luxembourg currently in force and as applied on the date of this Debt Issuance Programme Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

**PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY, THE GRAND DUCHY OF LUXEMBOURG AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.**

### **Federal Republic of Germany**

#### ***Withholding Tax***

For German tax residents (e.g. persons whose residence, habitual abode, statutory seat or place of management is located in Germany), coupon payments on the Notes are subject to withholding tax, provided that the Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such coupon payments (the "**Disbursing Agent**"). Disbursing Agents are German resident credit institutions or financial services institutions (both including German permanent establishments of foreign institutions, but excluding foreign permanent establishments of German resident institutions) or German resident securities trading companies or securities trading banks. The applicable withholding tax rate is 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax). For individuals subject to church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the tax return and will then be assessed to church tax.

The withholding tax regime should also apply to any gains from the disposition or redemption of Notes realized by private investors holding the Notes as private (and not as business) assets in custody with a Disbursing Agent. Subject to exceptions, the amount of capital gains on which the withholding tax charge is applied is generally levied on the difference between the proceeds received upon the disposition or redemption of the Notes and (after the deduction of actual expenses directly related thereto) the acquisition costs. Where the Notes are acquired and/or sold in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively. Where custody has changed since the acquisition and the acquisition data is not proved to the Disbursing Agent in the form required by law, the tax at a rate of 25% (plus 5.5% solidarity surcharge and, if applicable, church tax) will be imposed on an amount equal to 30% of the proceeds from the sale or redemption of the Notes.

Accrued interest (*Stückzinsen*) received by the Holder upon disposal of the Notes between two interest payment dates is considered as part of the sales proceeds thus increasing a capital gain or reducing a capital loss from the Notes. The same applies to compounding interest contained in the proceeds from a disposal or redemption of Zero Coupon Notes.



According to the German tax authorities, losses resulting from a sale where the sale proceeds do not exceed the transaction costs are treated as non-deductible for German tax purposes. The same applies where, based on an agreement with the depositary institution, the transaction costs are calculated on the basis of the sale proceeds taking into account a deductible amount. Further, losses suffered by the Holders resulting from a bad debt loss (*Forderungsausfall*) in relation to the Notes are not tax-deductible. Based on the treatment of bad debt losses, losses incurred by the Holders from a write-down of the book value of the Notes may not be tax-deductible.

Investors holding the Notes as private assets are entitled to a tax allowance (*Sparer-Pauschbetrag*) up to an amount of EUR 801 per year (EUR 1,602 for married couples or registered partners filing jointly). In this case, no withholding tax is imposed provided that the investor has filed a withholding tax exemption request (*Freistellungsauftrag*) with the respective German Disbursing Agent, but only to the extent the total investment income does not exceed the exemption amount shown on the withholding tax exemption request form. Expenses actually incurred are not deductible.

In the case of Notes held as business assets if (a) the investor qualifies as a German tax resident corporation, association of persons (*Personenvereinigung*) or estate of assets (*Vermögensmasse*) or (b) the Notes are attributed to a domestic business in Germany and the investor notifies this to the German Disbursing Agent in the officially required form, capital gains from the disposal, sale or redemption of the Notes should not be subject to withholding tax.

The Issuer of the Notes does not assume any responsibility for the withholding of taxes at the source in relation to proceeds from the investment in the Notes.

#### **Private Investors**

For private investors the withholding tax is – without prejudice to certain exceptions – definitive. Private investors can apply to have their income from the investment into the Notes assessed in accordance with the general rules on determining an individual's tax bracket if this resulted in a lower tax burden. Also in this case, expenses actually incurred are not deductible. An assessment is mandatory for income from the investment into the Notes where the Notes are held in custody outside of Germany. Losses resulting from the sale or redemption of the Notes can only be off-set against other investment income. In the event that a set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods only and can be offset against investment income generated in future assessment periods. Accrued interest paid by the Holder upon an acquisition of the Notes after the issue date qualifies as negative investment income either to be deducted from positive investment income generated in the same assessment period or to be carried forward to future assessment periods.

#### **Business Investors**

Coupon payments and capital gains from the disposition or redemption of the Notes held as business assets by German tax resident business investors are generally subject to German income tax or corporate income tax (plus 5.5% solidarity surcharge thereon and, if applicable in the case of an individual holding the Notes as business assets, church tax). Further, compounding interest on Zero Coupon Notes accrue to business investors that apply the accrual method of accounting on a *pro rata temporis* basis for German taxation purposes. Any withholding tax deducted is – subject to certain requirements – creditable. To the extent the amount withheld exceeds the (corporate) income tax liability, the withholding tax is – as a rule – refundable. The coupon payments and capital gains are also subject to trade tax, if the Notes are attributable to a trade or business.

#### **Foreign Tax Residents**

Investors not resident in Germany should, in essence, not be taxable in Germany with the proceeds from the investment in the Notes, and no German withholding tax should be withheld from such income, even if the Notes are held in custody with a German Disbursing Agent. Exceptions apply, e.g., where the Notes are held

as business assets in a German permanent establishment of the investor, or secured by German situs real estate .

### ***Substitution of the Issuer***

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the Substitute Debtor and subject to similar taxation rules like the Notes. In particular, such a substitution could result in the recognition of a taxable gain or loss for any Holder of a Note. The Substitute Debtor is obligated to indemnify each Holder for any tax incurred by such Holder as a result of a substitution of the Issuer (cf. "Terms and Conditions of the Notes – § 10(1)(e) Substitution").

### ***Other taxes***

At present, the purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

### ***Grand Duchy of Luxembourg***

The following is an overview of certain material Luxembourg tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or sell the Notes. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers of the Notes should consult their own tax advisers as to the applicable tax consequences of the ownership of the Notes, based on their particular circumstances. This overview does not allow any conclusions to be drawn with respect to issues not specifically addressed. The following description of Luxembourg tax law is based upon the Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities on the date of the Prospectus and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), personal income tax (*impôt sur le revenu*), as well as a temporary equalization tax (*impôt d'équilibre budgétaire*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge and the temporary equalization tax. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### ***Luxembourg tax residency of the Holders***

A Holder will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

### ***Withholding Tax***

#### ***Resident Holders***

Under the Luxembourg law dated 23 December 2005 as amended (hereafter, the "**Law**"), payment of interest or similar income on debt instruments made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident for tax purposes

who is the beneficial owner of such payment may be subject to a tax at a rate of 10 per cent. This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. The Luxembourg paying agent will be responsible for withholding the tax.

Further, Luxembourg resident individuals who are the beneficial owners of interest or similar income paid by a paying agent established outside Luxembourg in a member state of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the European Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "Directive") may also opt for a final 10 per cent. levy. In such case, the 10 per cent. levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10 per cent. final levy must cover all interest payments made by the paying agents to the Luxembourg resident beneficial owner during the entire civil year. Responsibility for the declaration and the payment of the 10 per cent. final tax is assumed by the individual resident beneficial owner of interest.

#### *Non-resident Holders*

Under Luxembourg general tax laws currently in force, all payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law. ***Income Taxation of the Holders***

#### *Non-resident Holders*

Holders who are non-residents of Luxembourg, and who have neither a permanent establishment, a permanent representative nor a fixed place of business in Luxembourg to which the Notes are attributable, are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale or exchange of any Notes.

Holders who are non-residents of Luxembourg and who have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes are attributable, have to include any interest received or accrued, as well as any capital gain realised on the sale or disposal of the Notes in their taxable income for Luxembourg income tax assessment purposes.

#### *Resident Holders*

##### *Luxembourg resident individuals*

An individual Holder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes, which do not constitute Zero Coupon Notes, by an individual Holder, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. An individual Holder, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realised upon a sale of Zero Coupon Notes before their maturity by Luxembourg resident Holders, in the course of the management of their private wealth must be included in their taxable income for

Luxembourg income tax assessment purposes. Luxembourg resident individual Holders acting in the course of the management of a professional or business undertaking to which the Notes are attributable, have to include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

#### *Luxembourg corporate residents*

Luxembourg corporate Holders must include any interest received or accrued, as well as any gain realized on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

#### *Luxembourg residents benefiting from a special tax regime*

Luxembourg Holders who benefit from a special tax regime, such as, for example, undertakings for collective investment subject to the amended law of 17 December 2010 or specialised investment funds governed by the amended law of 13 February 2007 or family wealth management companies governed by the amended law of 11 May 2007 are exempt from income and wealth taxes in Luxembourg and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income or wealth taxes. Such Luxembourg holders are generally subject to annual subscription tax on all or parts of their net assets, at an annual rate of 0,01 per cent, 0,05 per cent or 0,25% (depending on their actual status).

#### **Net Wealth Tax**

Luxembourg resident Holders as well as non-resident Holders who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Notes are attributable, are, in principle, subject to Luxembourg wealth tax on such Notes, except if the Holder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the amended law of 17 December 2010, (iii) a securitisation company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialised investment fund subject to the amended law of 13 February 2007, or (vi) a family wealth management company governed by the amended law of 11 May 2007.

However, subject to the law of 18 December 2015, a minimum net worth tax would be applicable for a securitization company governed by the amended law of 22 March 2004 on securitization and a company governed by the amended law of 15 June 2004 on venture capital vehicles.

#### **Other Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Holders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer of redemption or repurchase of the Notes.

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Holder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

In case of registration of the Notes, registration duties might become due.

#### **EU Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments as amended by EU Council Directive 2014/48/EU of 24 March 2014 (the “**EU Savings Directive**”, member states are required to provide to the tax authorities of another member state details of payments of interest or similar

income paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state.

For a transitional period, Austria instead applies a withholding system in relation to such payments, currently deducting tax at a rate of 35%. However, Austria has undertaken to implement an automatic exchange of information as of September 2017. A number of third countries, including Switzerland, have adopted equivalent measures (a withholding system in the case of Switzerland) with effect from the same date.

On 10 November 2015, the EU Council adopted the EU Council Directive 2015/2060/EU repealing the EU Savings Directive with full effect as of 1 January 2017 in the case of Austria and generally with effect as of 1 January 2016 in the case of the other EU member states. The repeal is intended to prevent an overlap between the EU Savings Directive and the EU Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by EU Council Directive 2014/107/EU dated 9 December 2014) pursuant to which an automatic exchange of information regime has to be implemented between the EU member states with effect as of 1 January 2016 (Austria 2017), which is based on the Common Reporting Standard (CRS) issued by the Organisation for Economic Co-Operation and Development (OECD).

Investors who are in any doubt as to their position should consult their professional advisors.

### **The proposed Financial Transaction Tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate and/or participating Member States may decide to discard the Commission Proposal.

Prospective Holders are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

### Underwriting

The Notes may be issued on a continuing basis to one or more of the Dealers specified herein and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue ("**Dealer of the Day**") or on an ongoing basis (together, the "**Dealers**"). The Notes will be distributed on a syndicated or non-syndicated basis. The method of distribution of each Tranche will be stated in the relevant Final Terms.

Notes may be sold from time to time by the Issuer to any one or more of the Dealers specified herein and any additional Dealer appointed under the Programme from time to time by the Issuer. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated on or about 8 April 2016 (the "**Dealer Agreement**") and made between the Issuer, the Guarantors and the Dealers specified herein. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. A Subscription Agreement prepared in connection with a particular Tranche of Notes will typically be dated on or about the respective date of the Final Terms applicable to such Tranche of Notes.

### No public offering

No action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons who have access to this Prospectus are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdictions in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribution such offering material, in all cases at their own expense.

### Selling Restrictions

#### *General*

Each Dealer has represented, warranted and undertaken that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes the Prospectus or any Final Terms or any related offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, nor the Guarantors, nor any other Dealer shall have any responsibility therefor.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

#### *United States of America (the "United States")*

- (a) With regard to each Tranche, each Dealer has acknowledged that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented, warranted and undertaken that, except in accordance

with Rule 903 of Regulation S under the Securities Act, it has not offered or sold, and will not offer or sell, any Note within the United States or to, or for the benefit of U.S. persons (i) as part of its distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, and it will have sent to each Dealer to which it sells Notes during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Accordingly, each Dealer has further represented, warranted and undertaken that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note.

Each Dealer has represented, warranted and undertaken that neither it, its affiliates nor any persons acting on its or their behalf have offered or sold or will offer and sell the Notes by means of any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) in the United States. Each Dealer has further represented, warranted and undertaken that neither it, its affiliates nor any persons acting on its or their behalf have made or caused to be made or will make or cause to be made a public offer of the Notes in the United States.

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

The Notes may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

- (b) From and after the time that the Issuer notifies the Dealers in writing that it is no longer able to make the representation set forth in Clause 4 (1) (p) of the Dealer Agreement, each Dealer (i) acknowledges that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act; (ii) represents, warrants and undertakes that it has not offered, sold or delivered any Notes, and will not offer, sell or deliver any Notes, (x) as part of its distribution at any time or (y) otherwise until 40 days after the later of the commencement of the offering and closing date, except in accordance with Rule 903 of Regulation S under the Securities Act; and accordingly, (iii) further represents, warrants and undertakes that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirements of Regulation S; and (iv) also agrees that, at or prior to confirmation of any sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons by any person referred to in Rule 903(b)(2)(iii) of Regulation S under the Securities Act (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

- (c) Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and notify to the Fiscal Agent and the Issuer the completion of the distribution of the Notes of such Tranche.
- (d) With regard to each Tranche, each Dealer represents, warrants and undertakes that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of Notes, except with its affiliates or with the prior written consent of the Issuer and the Guarantors, if applicable.
- (e) Notes, other than Notes with an initial maturity of one year or less, will be issued (i) in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended) (the "**TEFRA C Rules**"), or (ii) in accordance with the provisions of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended) (the "**TEFRA D Rules**"), as specified in the Final Terms.

In addition, where the TEFRA C Rules are specified in the Final Terms as being applicable to any Tranche of Notes, Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented, warranted and undertaken that it, in connection with the original issuance of Notes has not offered sold or delivered and will not offer, sell or deliver, directly or indirectly, Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented, warranted and undertaken in connection with the original issuance of Notes, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the TEFRA C Rules.

In addition, in respect of Notes issued in accordance with the TEFRA D Rules, each Dealer has represented, warranted and undertaken that:

- (i) except to the extent permitted under the TEFRA D Rules, (x) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (y) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
- (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (iii) if such Dealer is a United States person, it has represented that it is acquiring the Notes for purposes of resale, in connection with their original issuance and if such Dealer retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended); and
- (iv) with respect to each affiliate that acquires from such Dealer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either (x) has repeated and confirmed the representations and agreements contained in sub-clauses (i), (ii) and (iii) above on such affiliate's behalf or (y) has agreed that it will obtain from such affiliate for the benefit of the purchaser of the Notes and the Issuer the representations and agreements contained in sub-clauses (i), (ii) and (iii) above.



Terms used in this paragraph (e) have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the TEFRA D Rules.

### ***Selling Restrictions Addressing Additional United Kingdom Securities Laws***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) *No deposit taking*: in relation to any Notes which have a maturity of less than one year: (i) 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 (ii) it has not offered or sold and will not offer or sell any Notes other than to persons: (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or (B) 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 Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;
- (b) *Financial Promotion*: 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 or any Guarantor; and
- (c) *General Compliance*: 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.

### ***Luxembourg***

The Notes having a maturity at issue of less than 12 months that may qualify as securities and money market instruments in accordance with Article 4. 2. j) of the Luxembourg act dated 10 July 2005 relating to prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*), as amended (the "**Luxembourg Act**"), implementing the Prospectus Directive, may not be offered or sold to the public within the territory of the Grand Duchy of Luxembourg unless:

- (a) a simplified prospectus has been duly approved by the *Commission de Surveillance du Secteur Financier* pursuant to part III of the Luxembourg Act; or
- (b) the offer benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a simplified prospectus under part III of the Luxembourg Act.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to a Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **GENERAL INFORMATION**

### **Interests of Natural and Legal Persons involved in the Issue/Offer**

Certain of the Dealers and their affiliates may be customers of, borrowers from or creditors of the Issuer and its affiliates. In addition, certain 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 for Eurogrid and its affiliates in the ordinary course of business. Furthermore, certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

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

### **Authorisation**

The establishment of the Programme has been duly authorised by the Managing Board of the Issuer and the shareholder of the Issuer on 11 May 2015. The update of the Programme has been duly authorized by the Managing Board of the Issuer on 24 March 2016 and the shareholder of the Issuer on 23 March 2016. The giving of the Guarantee (a) by 50Hertz has been duly authorized by the Managing Board of 50Hertz on 28 April 2015, the supervisory board and the shareholder of 50Hertz on 11 May 2015 and (b) by 50Hertz Offshore has been duly authorized by the Managing Board and the shareholder of 50Hertz Offshore on 12 May 2015.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes. The Guarantors have obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the Guarantee and performance of their obligations under the Guarantee.

### **Listing and Admission to Trading**

Application has been made to the Luxembourg Stock Exchange for Notes issued under this Programme to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

The Programme provides that Notes may be listed on other or further stock exchanges, as may be agreed between the Issuer and the relevant Dealer(s) in relation to each issue. Notes may further be issued under the Programme which will not be listed on any stock exchange.

## **Clearing Systems**

The Notes have been accepted for clearance through Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Federal Republic of Germany ("**CBF**"), Clearstream Banking société anonyme, 42 Avenue JF Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels, Kingdom of Belgium ("**Euroclear**"). The appropriate German securities number ("**WKN**") (if any), Common Code and ISIN for each Tranche of Notes allocated by CBF, CBL and Euroclear will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

## **Fiscal Agent and Paying Agent**

The Fiscal Agent and Paying Agent is ING Bank N.V., Foppingadreef 7, 1102 BD Amsterdam, The Netherlands.

The Paying Agent in Germany is ING-DiBa AG, Theodor-Heuss-Allee 2, 60486 Frankfurt am Main, Germany

## **Luxembourg Listing Agent**

The Luxembourg Listing Agent is ING Luxembourg S.A., 52, route d'Esch, L-2965 Luxembourg, Grand Duchy of Luxembourg.

## **Documents on Display**

So long as Notes are capable of being issued under this Prospectus, copies of the following documents will, when published, be available free of charge during normal business hours from the registered office of the Issuer and from the specified offices of the Paying Agents:

- (i) the constitutional documents (with an English translation where applicable) of each of the Issuer 50Hertz Transmission GmbH and 50Hertz Offshore GmbH;
- (ii) the Eurogrid GmbH group management report and consolidated financial statements for fiscal years 2014 and 2015, containing the IFRS Consolidated Financial Statements of the Issuer as of and for the fiscal years ended 31 December 2014 and 31 December 2015, respectively (English language versions);
- (iii) the 50Hertz Transmission GmbH and 50Hertz Offshore GmbH reports on the fiscal years 2014 and 2015, containing the HGB annual financial statements of 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, as of and for the fiscal years ended 31 December 2014 and 31 December 2015, respectively (English language versions);
- (iv) this Prospectus;
- (v) any supplements to this Prospectus;
- (vi) the Guarantee.

In the case of Notes listed on the official list of the Luxembourg Stock Exchange, the Final Terms will be displayed on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). In the case of Notes listed on any other stock exchange, the Final Terms will be displayed on the website of the Issuer ([www.eurogrid.com](http://www.eurogrid.com)).

## DOCUMENTS INCORPORATED BY REFERENCE

The pages specified below of the following documents which have been published or which are published simultaneously with this Prospectus and filed with the CSSF shall be incorporated by reference in, and form part of, this Prospectus:

***Audited consolidated financial statements of Eurogrid GmbH as of and for the fiscal year ended 31 December 2015 prepared in accordance with IFRS, included in the Eurogrid GmbH group management report and consolidated financial statements for fiscal year 2015 (English language version)***

Consolidated income statement	page 30
Consolidated statement of comprehensive income	page 30
Consolidated statement of financial position	page 31
Consolidated statement of changes in equity	page 32
Consolidated statement of cash flows	page 33
Notes to the consolidated financial statements	pages 34-97
Audit opinion	pages 3-4 of the pdf document

***Audited consolidated financial statements of Eurogrid GmbH as of and for the fiscal year ended 31 December 2014 prepared in accordance with IFRS, included in the Eurogrid GmbH group management report and consolidated financial statements for fiscal year 2014 (English language version)***

Consolidated income statement	page 31
Consolidated statement of comprehensive income	page 31
Consolidated statement of financial position	page 32
Consolidated statement of changes in equity	page 33
Consolidated statement of cash flows	page 34
Notes to the consolidated financial statements	pages 35-104
Audit opinion	pages 3-4 of the pdf document

***Audited annual financial statements of 50Hertz Transmission GmbH as of and for the fiscal year ended 31 December 2015 prepared in accordance with HGB, included in the 50Hertz Transmission GmbH report on the fiscal year 2015 (English language version)***

Statement of financial position	page 26
Income statement	page 27
Statement of cash flows	page 28
Statement of changes in fixed assets (part of the notes to the financial statements)	page 29
Notes to the financial statements	pages 30-50
Audit opinion	pages 3-4 of the pdf document

***Audited annual financial statements of 50Hertz Transmission GmbH as of and for the fiscal year ended 31 December 2014 prepared in accordance with HGB, included in the 50HertzTransmission GmbH report on the fiscal year 2014 (English language version)***

Statement of financial position	page 25
Income statement	page 26
Statement of cash flows	page 27
Statement of changes in fixed assets (part of the notes to the financial statements)	page 28
Notes to the financial statements	pages 29-50
Audit opinion	pages 3-4 of the pdf document

***Audited annual financial statements of 50Hertz Offshore GmbH as of and for the fiscal year ended 31 December 2015 prepared in accordance with HGB, included in the 50Hertz Offshore GmbH report on the fiscal year 2015 (English language version)***

Statement of financial position	page 12
Income statement	page 13
Statement of cash flows	page 14
Statement of changes in fixed assets (part of the notes to the financial statements)	page 15
Notes to the financial statements	pages 16-25
Audit opinion	pages 3-4 of the pdf document

***Audited annual financial statements of 50Hertz Offshore GmbH as of and for the fiscal year ended 31 December 2014 prepared in accordance with HGB, included in the 50Hertz Offshore GmbH report on the fiscal year 2014 (English language version)***

Statement of financial position	page 13
Income statement	page 14
Statement of cash flows	page 15
Statement of changes in fixed assets (part of the notes to the financial statements)	page 16
Notes to the financial statements	pages 17-27
Audit opinion	pages 3-4 of the pdf document

The financial statements and audit opinions mentioned above are English language translations of the respective German language audited financial statements and audit opinions. The respective audit opinions refer to the respective consolidated financial statements and group management reports of Eurogrid GmbH, the respective annual financial statements and management reports of 50Hertz Transmission GmbH and the respective annual financial statements and management reports of 50Hertz Offshore GmbH, each as a whole, and not solely to the respective consolidated financial statements or annual financial statements incorporated by reference into this Prospectus.

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross-reference lists above is either not relevant for investors or covered elsewhere in this Prospectus.

***Debt Issuance Programme Prospectus of the Issuer dated 13 May 2015***

**Terms and Conditions of the Notes**

Set of Terms and Conditions for Notes with fixed interest rates

pages 51-68

Any information not incorporated by reference into this Prospectus but contained in, or incorporated by reference into, the Debt Issuance Programme Prospectus of the Issuer dated 13 May 2015 which is not included in the above cross-reference list is either not relevant for investors or covered elsewhere in this Prospectus.

**Availability of documents incorporated by reference**

All documents incorporated herein by reference are available free of charge and may be inspected during usual business hours on any working day from the date hereof for the whole life of the Prospectus at the offices of Eurogrid GmbH as set out at the end of this Prospectus. In addition, such documents will be available free of charge and may be inspected during usual business hours on any working day from the date hereof for the whole life of the Prospectus at the principal office in Luxembourg of ING Luxembourg S.A. for Notes listed on the official list of the Luxembourg Stock Exchange and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **NAMES AND ADDRESSES**

### **ISSUER**

**Eurogrid GmbH**  
Eichenstraße 3A  
12435 Berlin  
Federal Republic of Germany

### **GUARANTORS**

**50Hertz Transmission GmbH**  
Eichenstraße 3A  
12435 Berlin  
Federal Republic of Germany

**50Hertz Offshore GmbH**  
Eichenstraße 3A  
12435 Berlin  
Federal Republic of Germany

### **FISCAL AGENT AND PAYING AGENT**

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

### **PAYING AGENT IN GERMANY**

**ING-DiBa AG**  
Theodor-Heuss-Allee 2  
60486 Frankfurt am Main  
Germany

### **LUXEMBOURG LISTING AGENT**

**ING Luxembourg S.A.**  
52, route d'Esch  
L-2965 Luxembourg  
Grand Duchy of Luxembourg

### **ARRANGERS**

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Commerzbank Aktiengesellschaft**  
Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

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

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

**Landesbank Hessen-Thüringen Girozentrale**  
Neue Mainzer Strasse 52-58  
60311 Frankfurt am Main  
Federal Republic of Germany

**Mitsubishi UFJ Securities International plc**  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

**The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**UniCredit Bank AG**

Arabellastrasse 12  
81925 Munich  
Federal Republic of Germany

**DEALERS****BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Commerzbank Aktiengesellschaft**

Kaiserstraße 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**Coöperatieve Rabobank U.A. (Rabobank)**

Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**ING Bank N.V.**

Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

**Landesbank Hessen-Thüringen Girozentrale**

Neue Mainzer Strasse 52-58  
60311 Frankfurt am Main  
Federal Republic of Germany

**Mitsubishi UFJ Securities International plc**

Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

**The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**UniCredit Bank AG**

Arabellastrasse 12  
81925 Munich  
Federal Republic of Germany

**LEGAL ADVISERS**

To the Issuer and the Guarantors as to German law

**Freshfields Bruckhaus Deringer LLP**

Bockenheimer Anlage 44  
60322 Frankfurt am Main  
Federal Republic of Germany

To the Dealers as to German law

**Mayer Brown LLP**

Friedrich-Ebert-Anlage 35-37  
60327 Frankfurt am Main  
Federal Republic of Germany



## AUDITORS

To the Issuer

**Ernst & Young GmbH**  
Wirtschaftsprüfungsgesellschaft, Stuttgart  
office Berlin  
Friedrichstraße 140  
10117 Berlin  
Federal Republic of Germany

To the Guarantors

**Ernst & Young GmbH**  
Wirtschaftsprüfungsgesellschaft, Stuttgart  
office Berlin  
Friedrichstraße 140  
10117 Berlin  
Federal Republic of Germany