

**CONFORMED COPY**

**LOAN NUMBER 3936-H-RO**

# **Loan Assumption Agreement**

**(Power Sector Rehabilitation and Modernization Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**TRANSELECTRICA S.A.**

**Dated May 31, 2002**

**LOAN NUMBER 3936-5-RO**

## **LOAN AGREEMENT**

AGREEMENT, dated May 31, 2002, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and TRANSELECTRICA S.A. (the Borrower).

WHEREAS (A) by loan agreement between the Bank and the Regia Autonoma de Electricitate (RAE), dated August 29, 1995 and amended on July 20, 2000 (the Loan Agreement), the Bank made a loan (the RAE Loan) to RAE in an amount in various currencies equivalent to the amount of one hundred ten million dollars (\$110,000,000) on the terms and conditions set forth in the Loan Agreement;

(B) by a guarantee agreement between Romania (the Guarantor) and the Bank, dated August 29, 1995 (the Guarantee Agreement), the Guarantor guaranteed all the obligations of RAE contained or referred to in the Loan Agreement on the terms and conditions set forth in the Guarantee Agreement;

(C) by Government Decision No. 365/1998 of the Guarantor, dated July 2, 1998, Compania Nationala De Electricitate S.A. (Conel) was created and assumed RAE's assets, liabilities and subsidiaries;

(D) by Government Decision. No. 627/2000 of the Guarantor, dated July 13, 2000, Termoelectrica S.A. (Termoelectrica), Hidroelectrica S.A. (Hidroelectrica), Electrica S.A. (Electrica) and the Borrower were created and assumed Conel's assets, liabilities and subsidiaries;

(E) pursuant to the exchange of letters between the Bank and the Guarantor dated February 13, 2001 and February 16, 2001, an amount equivalent to \$33,500,000 was cancelled from the RAE Loan;

(F) by Government Decision. No. 1182/2001 of the Guarantor, dated November 27, 2001, and pursuant to the Decision of the General Assembly of the Shareholders of Termoelectrica, No. 12/2001, dated December 11, 2001, the Commercial Company for the Production of Thermal and Electric Power - Electrocentrale Deva S.A. Subsidiary (Deva) was created as the subsidiary of Termoelectrica;

(G) the Borrower has agreed to assume a portion of the RAE Loan in the amount of \$719,648.03 equivalent, all of which has been disbursed and outstanding as of April 30, 2002;

(H) by loan assumption agreement of even date herewith between the Bank and Deva (the Deva Loan Assumption Agreement), Deva has agreed to assume a portion of the RAE Loan in the amount of \$69,908,805.43 equivalent, of which an amount of \$10,930,016.29 equivalent was disbursed and outstanding as of April 30, 2002 and to assume all the obligations with respect to carrying out Part B of the Project as provided in the Deva Loan Assumption Agreement;

(I) by loan assumption agreement of even date herewith between the Bank and Electrica (the Electrica Loan Assumption Agreement), Electrica has agreed to assume a portion of the RAE Loan in an amount of \$719,648.11 equivalent, all of which has been disbursed and outstanding as of April 30, 2002;

(J) by loan assumption agreement of even date herewith between the Bank and Hidroelectrica (the Hidroelectrica Loan Assumption Agreement), Hidroelectrica has agreed to assume a portion of the RAE Loan in an amount of \$719,647.98 equivalent, all of which has been disbursed and outstanding as of April 30, 2002;

(K) by loan assumption agreement of even date herewith between the Bank and Termoelectrica (the Termoelectrica Loan Assumption Agreement), Termoelectrica has agreed to assume a portion of the RAE Loan in the amount of \$1,438,450.45 equivalent, all of which has been disbursed and outstanding as of April 30, 2002;

(L) the implementation of Parts A and C of the Project, as described in Schedule 2 to the Deva Loan Assumption Agreement, has been completed;

(M) the Borrower and the Guarantor have requested the Bank to agree to the undertaking by the Borrower of the obligations in respect of the Loan as provided in this Loan Assumption Agreement;

(N) the Bank has agreed to the request of the Borrower and the Guarantor;

(O) this Loan Assumption Agreement and the Loan Assumption Agreements of even date herewith between the Bank and Deva, Termoelectrica, Transelectrica, and Electrica, respectively, supersede the Loan Agreement;

(P) by an amended guarantee agreement between the Guarantor and the Bank of even date herewith (the Amended Guarantee Agreement) the Guarantor guarantees all obligations of the Borrower contained or referred to in this Loan Assumption Agreement on the terms and conditions set forth in the Amended Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to enter into this Loan Assumption Agreement on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans” with modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Loan Assumption Agreement have the respective meanings therein set forth.

## **ARTICLE II**

### **The Loan**

Section 2.01. The Borrower agrees to assume a portion of the RAE Loan in the amount of seven hundred nineteen thousand, six hundred forty-eight dollars and three cents (\$719,648.03) equivalent in accordance with the provisions of this Agreement.

Section 2.02. The amount of the Loan has already been withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Loan Agreement for expenditures made in respect of the reasonable cost of goods and services required for Part C of the Project described in Schedule 2 to the Loan Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.04 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.04 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.04 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.04. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### **ARTICLE III**

#### **Effective Date**

Section 3.01. The following events are specified as additional conditions to the effectiveness of this Loan Assumption Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (i) the execution and delivery of this Loan Assumption Agreement on behalf of the Borrower has been duly authorized or ratified by all necessary governmental and corporate action; and
- (ii) all conditions precedent to the effectiveness of the Deva Loan Assumption Agreement, Termoelectrica Loan Assumption Agreement, Electrica Loan Assumption Agreement, Hidroelectrica Loan Assumption Agreement and the Amended Guarantee Agreement, other than those related the effectiveness of this Agreement, have been fulfilled.

Section 3.02. The date ninety (90) days after the date of this Loan Assumption Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### **ARTICLE IV**

##### **Representative of the Borrower; Addresses**

Section 4.01. The General Manager of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Transelectrica S.A  
33, General Gh. Magheru Blvd.  
Bucharest 1  
Romania - 70164

Facsimile:

40-1-312-0291

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI), or  
64145 (MCI)

(202) 477 6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Bucharest, Romania, as of the day and year first above written.

TRANSELECTRICA S.A.

By /s/ Jean Constantinescu  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andrew N. Vorkink  
Director  
South Central Europe Country Unit  
Europe and Central Asia

## SCHEDULE 1

### Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal</u> <u>(expressed in dollars)*</u>
May 1, 2002	15,454.97
November 1, 2002	16,000.29
May 1, 2003	16,544.64
November 1, 2003	17,157.51
May 1, 2004	17,736.12
November 1, 2004	18,383.25
May 1, 2005	19,029.41
November 1, 2005	19,710.82
May 1, 2006	20,391.25
November 1, 2006	21,140.20
May 1, 2007	21,889.16
November 1, 2007	22,638.12
May 1, 2008	23,455.61
November 1, 2008	24,272.12
May 1, 2009	25,158.14
November 1, 2009	26,043.19
May 1, 2010	26,961.52
November 1, 2010	27,915.09
May 1, 2011	28,902.94
November 1, 2011	29,924.06
May 1, 2012	30,979.46
November 1, 2012	32,102.41
May 1, 2013	33,226.33
November 1, 2013	34,417.81
May 1, 2014	35,609.29
November 1, 2014	36,902.59
May 1, 2015	38,195.89
November 1, 2015	<u>39,505.84</u>
<b>TOTAL</b>	<u><b>719,647.98</b></u>

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:



<u>Time of Prepayment</u>	<u>Premium</u>
annum) prepayment	The interest rate (expressed as a percentage per applicable to the Loan on the day of multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

