ENERGY COMMUNITY OF SOUTH EAST EUROPE PROGRAM

Guarantee Agreement

(ROMANIA COMPONENT – LOTRU PROJECT)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 13, 2005
GUARANTEE AGREEMENT

AGREEMENT, dated July 13, 2005 between ROMANIA (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Hidroelectrica S.A. (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement; and

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to lend an amount of sixty-six million Euro (€66,000,000) to the Borrower, on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank’s entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

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 Fixed-Spread Loans” of the Bank, dated September 1, 1999 (as amended through May 1, 2004) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.
ARTICLE II

Guarantee

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, all as set forth in the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. Not later than December 31, 2005, or such later date as may be agreed between the Bank and the Guarantor, the Guarantor and the Borrower shall enter into a concession contract, satisfactory to the Bank, for the Borrower’s public domain assets.

ARTICLE IV

Representatives of the Guarantor; Addresses

Section 4.01. The Minister of Public Finance of the Guarantor is designated as representative of the Guarantor 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 Guarantor:

Ministry of Public Finance
17, Apolodor Street
Bucharest
Romania

Telex: Facsimile:
For the Bank:

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

Cable address: INTBAFRAD
Telex: 248423 (MCI)
Washington, D.C. 64145 (MCI)

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.

ROMANIA

By Ionel Popescu

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND

DEVELOPMENT

By /s/ Arabela Aprahamian

Authorized Representative