**To the extraordinary session of the General Meeting of the Shareholders of CEZ Distribution Bulgaria AD scheduled for 27th October, 2016**

# REPORT

*Regarding: the expedience and conditions for entering into a deal - Loan Agreement with the EBRD*

## 1 GENERAL INFORMATION REGARDING THE DEAL

### *1.1 General Description of the Deal*

The deal represents an agreement for a loan (hereinafter referred to as the "**Agreement**") with the following parties: CEZ Distribution Bulgaria AD (hereinafter referred to as the **"Company"**) and the European Bank for Reconstruction and Development, having its seat and registered address at One Exchange Square, London EC2A 2JN, United Kingdom, (hereinafter referred to as **"EBRD"**). According to the terms of the Agreement the EBRD shall provide financing to the Company, part of which on its own account and other part will be provided by other banks through EBRD (hereinafter referred to as "**Participating Banks**"). The Participating Banks will enter in separate agreements with EBRD (hereinafter "**Participation Agreements**") The Company shall not be party to the Participation Agreements. The Participating Banks shall not be parties under the Agreement.

Under the terms of the Agreement, the Company assumes or could assume liabilities, where the total amount of those liabilities exceeds or could exceed 1/3 of the lower value of the assets pursuant to the last audited or the last prepared Balance Sheet of the Company.

### *1.2 Economic Essence of the Deal*

#### 1.2.1 Acquisition of Energy Facilities and Investment Program

As an operator of an electricity distribution grid, by law and in accordance with its license, the Company has a number of obligations, among which the following obligations are essential: (a). to make investments in the grid, including, without limitation, in energy facilities; and (b). to propose for approval by the Energy and Water Regulatory Commission (hereinafter referred to as **"EWRC"**) prices for the service *electricity distribution* for every regulatory pricing year where, such taking into consideration such investments.

The Energy Act, promulgated in State Gazette, issue 107 of December 9, 2003, with the subsequent amendments in it (hereinafter referred to as **"EA"**) and Regulation No. 6 of February 24, 2014 for Connection of Producers and Customers of Electricity to the Transit or Distribution Electricity Grids (hereinafter referred to as **"Regulation 6"**) provide general obligation for the distribution company to build in its own name and for its own cost the connection facilities. Art. 21. Par. 5 of Regulation 6 allows an exception to this principle, where the construction of the facilities is carried out by the customer - at his express request and with the consent of the distribution company, after which the facility so constructed by the customer must be purchased by the company.

The mandatory purchase of energy facilities is provided in §4 of the Transitional and Final Provisions of the EA and Art. 21, Par. 7 and Art. 62, Par. 7 of Regulation 6. Under those provisions, the purchase price is determined on the basis of mutually recognized costs. A schedule for purchase is followed in the sequential order of entry in the Company of the purchase requests made by the persons / entities, who / which have constructed the facilities.

The proposal for approval by EWRC of prices for distribution is provided in Art. 39 of Regulation No. 1 of March 18, 2013 for Regulation of Electricity Prices, amended and supplemented in SG, issue 4 of January 16, 2015. The Company is obliged to state and justify in its price proposal its investment intentions for the acquisition of energy facilities. These intentions are taken into consideration by EWRC in establishing the pricing decisions as an essential pricing component.

At present, prices for the second year of the fourth regulatory period are valid as of 01.07.2016, approved by Decision № C-19 of 30.06.2016 of EWRC. When making this decision, the relevant application of the Company has been considered, namely the application for approval of the necessary revenue for the service *distribution of electricity* for the same period under the *"revenue cap"* price regulation method.

In the specified application the Company has stated and justified investment intentions for acquiring energy facilities in the fourth regulatory period at the total amount of BGN 281,571 thousand. This total amount includes the amount of BGN 128,837 thousand which represents the accumulated value of the facilities that have been constructed and submitted for purchase as of 31.12.2014, but have not yet been purchased.

As the price application of the Company was submitted on 31.03.2016, and in the meantime acquisitions of energy facilities have been made, then the values specified below are only for general orientation of the amount of the mandatory investments in facilities for the period, which is already running, without being updated. In its current part, the schedule for purchase provides as follows:

*thousands BGN*

| | **2015** | **2016** | **2017** |
|---|---|---|---|
| Expected purchase applications | 2,000 | 11,643 | 11,810 |
| Claimed purchase applications as of 31.12.2014 | 25,767 | 103,070 | |

The general investment program of the Company contemplates that during the fourth regulatory period would be realized investments (including in energy facilities) in the following amounts:

- for 2015 – BGN 65,057 thousand
- for 2016 – BGN 150,292 thousand; and
- for 2017 – BGN 66,222 thousand.

1.2.2 Financing of the Purchases

The Company should choose the method of purchase financing on market basis, subject to the decisions of EWRC. In the process of approving the prices, the Company should attempt at achieving pricing decisions of EWRC for the respective periods, which take into account the investments, as much more as possible. For the Company's management the optimal solution is the purchase to be made with a combination of own and borrowed funds, which achieves a favourable price of the financial resources and compliance with the requirements of the regulator.

### *1.3* ***Specifics of the financing by EBRD***

In comparison to the commercial banks EBRD is distinguished in its ordinary activity as follows:

- EBRD may mobilize its own and attract external financial funds and provide them to borrowers which comply with its specific criteria for financing under better conditions for such borrowers (including without limitation interest rates and requirements for providing of collaterals);
- Finances with priority of energy infrastructure projects;
- Apart from the commercial aspect of its credit activity, EBRD has engagement for achieving certain social-economic and ecological targets and therefore links the providing of financing to the borrowers' results in specific areas (for example, EBRD Environmental and Social Action Plans).

### *1.4 **Management and Officers of the Company and External Advisors Engaged with the Deal***

The following persons have been engaged with the preparation of the deal:

*The Management Board of the Company consisting of three members, namely:*
Petr Holakovský, Viktor Stanchev and Tomáš Pecka

| | |
|---|---|
| *Director of Company Management Department* | Yordanka Kovachka |
| *Director for Relations with the Company Investors:* | Radoslav Dimitrov |
| *Attorneys-at-law Providing Advice upon the Approval of the Deal:* | Kolcheva, Smilenov, Koev & Partners Law Firm |

## 2 ABSENCE OF RELATED AND INTERESTED PARTIES. UNDERTAKING OF SPECIFIC OBLIGATIONS

The Company and EBRD are not related parties under the meaning of § 1, item 13 of the Additional provisions of LPOS. There is also no relation between the Company and each or any of the Participating Banks.

None of the shareholders of the Company (neither any of the members of its management and supervising bodies) are interested persons under the meaning of Art. 114, Par. 6 of LPOS.

For avoidance of any doubt the approval of the GMoS for entering into the Agreement derives from the materiality of the obligations thereunder as well as the undertaking by the Company of specific obligations under this transaction which are a prerogative of the General Meeting of Shareholders.

## 3 ESSENTIAL TERMS AND CONDITIONS OF THE AGREEMENT

### *3.1 Parties*

The parties to the Agreement are EBRD in its capacity of lender and the Company in its capacity of borrower.

Part of the financing under the Agreement shall be provided by EBRD on its own account directly to the Company and another part shall be provided by the Participating Banks on their own account indirectly (via EBRD) to the Company. For this second part EBRD and each and any of the Participating Banks shall enter into Participation Agreements. The Company shall not be a party under the Participation Agreements. The Participating Banks shall not be parties under the Agreement. As at the time of preparation of this Report the Participating Banks are Societe Generale Expressbank AD and BNP Paribas N.V.

That part of the financing which is provided by EBRD at its own account directly to the Company shall be "**Credit A**".

That part of the financing which is provided by the EBRD but at the account of the Banks-Participants, via EBRD shall be "**Credit B**".

### *3.2 Subject-Matter and Purpose of the Agreement*

The purpose of the Agreement is the provision of a long-term designated loan exclusively for the financing of:

(i) the Company's 2016-2017 investment programme in the distribution network aiming at improving quality and efficiency (hereinafter referred to as the "**Investment Programme**"),
(ii) the acquisition of energy facilities built by third parties during 2006-2014, which are an integrated part of the electricity distribution network and a mandatory regulatory obligation for the Company ("**Buy-Outs**") and
(iii) management of the working capital of the Company

The financing is provided in the form of a term loan (designated for the purposes of items (i) and (ii) above) and a revolver facility (designated for the purpose of item (iii) above).

### *3.3 **Essential Terms and Conditions of the Agreement***

3.3.1 Principal

The maximal amount of the principal for Credit A and Credit B is EUR 116,000,000 (one hundred and sixteen million Euro).

This sum shall be distributed in a term loan and a revolver facility as follows:

| Loan | Maximum Principal (EUR) |
|---|---|
| A Term Loan | 58,800,000 |
| B Term Loan | 39,200,000 |
| **Total Term Loan** | **98,000,000** |
| A Revolver Facility | 10,800,000 |
| B Revolver Facility | 7,200,000 |
| **Total Revolver Facility** | **18,000,000** |

The exact amount of the principal at any moment shall be the total amount drawn down and not repaid, which amount cannot at any moment exceed the maximal amount of the principal.

3.3.2 Method of Draw-Down

The Term Loan shall be available for drawdown within 18 months as of the date of the signature of the Agreement. The Company may draw-down sums under the Term Loan up to the total amount of the principal. No amount prepaid or repaid under the Term Loan may be re-borrowed. Each draw down under the Term Loan is subject to a minimum amount.

The drawdown of sums under the Revolver Facility shall be made currently within a period of 3 years of the Agreement upon requests of the Company to EBRD, with an option for prolonging the facility for further period of 2 years and a second prolonging option for 2 years more, provided the first option was duly exerted. Each draw down under the Revolver Facility is subject to a minimum amount.

3.3.3 Interest Period

The interest period is 6 months.

3.3.4 Method of Repayment

The Term loan facility is repaid during a term of 7 years, as follows:

(i) 60% of the principal payable within the 5 years period following the end of the 18-month drawdown period, based on an amortizing schedule in equal semi-annual instalments, and

(ii) 40% of the principal balloon repayment once as the final repayment at the end of the last year.

The Revolver Facility is repaid constantly (currently) with an option for a new dawn down of sums in total amount not exceeding the amount of the loan granted, for a period of 3 years, with an option for prolonging the facility for further 2 years upon the request of the Company, and a second prolonging option for further 2 years, provided the first option was duly exerted.

3.3.5 Regular Interest

The drawn down and outstanding amounts accrue regular interest at the following rate:

six-month EURIBOR (subject to zero floor) for the relevant interest period plus interest rate margin at the amount of:

- Under the Term Loan - 135 basis points per annum which interest shall be accrued on 360/360 days in a year basis and
- Under the Revolver Facility - 160 basis points per annum which interest shall be accrued on 360/360 days in a year basis.

3.3.6 Default Interest

In case of default, any overdue amount accrues interest at a rate of 2 (two) per cent per annum over the interest rate margin, plus the cost of funding.

3.3.7 Fees and commissions due:

The Company shall owe fees and commission in relation to the Agreement. They shall be set out in detail in the Agreement and/or any Fee Letter and/or any other finance document in relation to the financing (including without limitation commitment fee, upfront fee, expenses for consultants and any other fees and commissions customary for transactions of this type and size) but not to exceed an aggregate amount of EUR 2,020 thousand.

3.3.8 The Loan Voluntary Prepayment:

The Company shall have the right to prepay the loan subject to terms set out in the Agreement including with respect to the minimum prepayment amount in the case of partial prepayment.

Term Loan Mandatory Prepayment. Acceleration:

If Event of Default is continuing, EBRD will have the right to accelerate and exercise all of its other rights and remedies which will be set out in the Agreement. Further, mandatory prepayment events to be set out in the Agreement.

3.3.9 Other essential conditions under the Agreement part of which fall within the competence of the General Meeting of Shareholders

**The MB considers essential the following terms of the Agreement, which the shareholders of the Company should pay special attention to:**

- The Company does not establish any collateral to secure its liabilities under the Agreement.

- **The Company will not, without the EBRD's prior consent: declare or pay any dividend or distribution except on or after 6 months from the first draw down of the Loan Agreement and then only if certain conditions documented in the Agreement are satisfied including without limitation:** (i) no default occurred and is continuing and: (ii) the Company meets the financial debt/EBITDA ratio and the Company meets the Interest Cover ratio; (iii) the Company limits the total amount of dividend payable each year up to levels as agreed with the EBRD.

- **The Company will not, without the EBRD's prior consent: change its capital (except in accordance with the Financing Plan); change its business in a material way, or amend its By-laws in any manner which is inconsistent with the Agreement; undertake any merger, demerger, consolidation or reorganization, as well as to guarantee the obligations of third parties.**

- The Company provides representations and warranties of its status, financial condition and course of business at the time of the conclusion of the Agreement and during its effectiveness which representations and warranties the MB considers customary to obtaining the financing from the market at the substantially comparable conditions.

- The Company undertakes to comply with commitments to certain conditions (affirmative covenants) and the absence of other conditions (negative covenants) throughout the life of the Agreement, which commitments the MB considers customary for agreements substantially similar to the Agreement.

- The Agreement shall be governed by the English law.

- All disputes related to the Agreement shall be referred for settlement to the London Court of International Arbitration acting in accordance with the rules of the United Nations Commission on International Trade Law (UNICITRAL) or, at the discretion of the EBRD, before the English courts.

- This transaction is subject to documentation and final approval by the Operations Committee and the Board of Directors of EBRD**.**

### *3.4 Value of the Agreement*

By virtue of the Agreement the Company will assume liabilities for the repayment of the drawn-down portions of the principal and for payment of contractual interest, fees and comissions.

The interest that may accrue under the Agreement, calculated according to the available EURIBOR rates at the time this report has been prepared, amount approximately to:

1) Under the Term Loan. In case the maximum amount of principal of EUR 98 000 000 (ninety-eight million euro) is drawn down, applying the maximum level of interest margins and in case the repayment amortization plan is abided, and the term of the loan is 7 years – the interest accrued shall be approximately (depending on the EURIBOR future rates) at the total amount of EUR 5 997 000 being equal to BGN 11 729 000.
2) Under the Revolver Facility: in case of draw down of the maximum amount of principal of EUR 18 000 000 (eighteen thousand euro) during every day of the total term of the Agreement – 7 years (including the double prolonging of the term), and in case maximum amount of margin applies, the total amount of accrued interest (depending on the EURIBOR future rates) shall be approximately EUR 2 016 000 being equal to BGN 3 943 000.

All fees, commissions and additional expenses due for the preparation, execution and handing of the loan under point 4.3.7. hereinabove are approximately EUR 2,020 thousand.

### *3.5 Parties to the Agreement*

The Agreement represents a standard financial transaction for EBRD with a borrower which is complying with EBRD's preconditions for business profile, activity and engagement for realization of social-economic and ecological targets.

The Agreement is concluded also in favor of the Company which comes from the fact that:

- The Company will meet its statutory obligation to realize its Investment Programme and Acquisitions of Energy Facilities.
- The Company will increase the quality and efficiency of the electricity distribution service provided during the next regulatory period 2015-2017, by being able to meet higher quality levels of service, which shall be part of the next long term and short term Business plan (under the conditions of implementation of a competitive market for provision of services in the Energy sector).

**This transaction is not concluded in the benefit of any interested parties within the meaning of Art. 114a, paragraph 4 in connection with Art.114, paragraph 6 of the LPOS.**

## 4 MARKET VALUATION AND RISKS RELATED TO THE DEAL

### *4.1 EVALUATION*

EBRD and the Company are not related persons. Considering this circumstance it can be assumed that any evaluation of the Agreement (i.e. any conditions of the Agreement) negotiated in good faith and in compliance with the specific requirements of the EBRD does not deviate substantially to the market value in disadvantageous way for the Company. Deviations from the market value may derive exclusively from the specific profile of the creditor (social-economic and environmental commitment apart from the activities on a commercial basis) and that the Investment Programme and Acquisition of Energy Facilities fall in financed sectors. These deviations are limited primarily to the size of the financing, low interest rates and the lack of collateral, each of these conditions being in favor of the Company.

### *4.2 Functional Analysis and Risk Analysis*

The description of the risks associated with the financing under the Agreement and the allocation of those risks between the Company and EBRD is, as follows:

4.2.1 Market Risk

EBRD will bear market risk with regard to the funds in its capacity of lender under the Agreement.

The Company will not bear market risk with regard to the funds.

4.2.2 Exchange Rate Risk

Neither of the parties to the Agreement will take significant exchange rate risk related to the execution of the Agreement. The obligations of each of the parties are taken and performed in Euro, which exchange rate to the Bulgarian Lev can be reasonably expected to remain unchanged during the whole term of the Agreement. Further, the Company does not consummate substantial deals denominated in foreign currencies, other than Bulgaria Lev and Euro.

4.2.3 Credit Risk

EBRD takes the credit risk with regard to the solvency of the Company related to the performance of the Agreement, due to the fact that the obligations of the Company will not be secured by any kind of collateral.

The Company will not take any credit risk. Such risk should be estimated with regard to the fact that the Company performs its activity according to Business Plans and Prices approved in advance by the EWRC. The Company undertakes to refrain from executing other transactions, in result of which further financial obligations for the Company could be incurred.

4.2.4 Liquidity Risk

EBRD will not take any liquidity risk relating to the performance of the Agreement.

The Company has available finance to cover its daily operations and therefore will not take any substantial liquidity risk either. The Company undertakes to not pay dividends provided the financial parameters listed in the Agreement and in item 4.3.9. hereof are not met.

Regarding the Revolver Facility the Company shall have discretion to define the financial resource needed and to draw down only such amount of the maximum amount available that is currently needed. Provided surplus liquidity resource is available, the Company shall have the right to immediately repay part or the entire amount due under the Revolver Facility for the term during which this financial resource is not needed. This means that the Revolver Facility considers and protects to the highest extent possible the interests of the Company against liquidity risks. Further, the fact should be considered that interest shall be charged only on the actually draw down and not repaid amounts of the facility resource on a daily basis, and not on the maximum facility amount granted. With this financial resource shall be covered fluctuations in the cash flaw of the Company on a monthly [quarterly/ half annually] basis resulting from the typical turnover and the typical time necessary for collecting outstanding receivables from clients as opposed to the maturity of the operational costs obligations.

Regarding the Term Loan - tenor of the Term Loan shall be 7 years with draw down option in instalments up to the maximum amount available within the first 18-month period. This period coincides with the forecoming regulatory period, during which the Company shall fulfil its above obligations: (i) to finance the investment program of the Company for 2016-2017 with regard to the distribution grid aiming at quality and efficiency improvement; (ii) to acquire the energy facilities built by third parties during the period 2006-2014 and constituting inseparable part of the electricity distribution grid and thus performance of legally prescribed obligations on the part of the Company (borrower) shall be facilitated. Thus the Company shall be able to precisely define the amount of the funds needed in the long term in order to perform these regulatory obligations in that future moment when these obligations shall be defined with regard to their amount and maturity. Upon repayment of the amounts necessary for acquisition of Old By-Outs the Company shall generate enough cash flow and income from its business activity in order to duly repay the instalments under the amortization repayment plan under the Agreement. It should be pointed out that 40% of the principal shall be repaid in one-off instalment on the last day of the 7-year term, which shall additionally minimize the liquidity risk in favour of the Company. Thus it shall have 40% of the financial resource during the whole 7-year- period at its disposal.

4.2.5 Interest Risk

EBRD and the Company will bear interest risk with regard to the funds, due to the fact that it is the EURIBOR rate for the so-determined period (but not lower than 0) which forms the interest rate under the Agreement. In this regard the parties to the Agreement have agreed to conclude a Hedging Arrangement Agreement.

## 5 ECONOMIC BENEFIT TO THE COMPANY

The Agreement will be economically beneficial to the Company in the following sense:

The cash resources of the Company (cash and cash equivalents) as of 31.12.2015 amounted to BGN 32.921 thousand. The size of this resource inevitably requires to finance part of the Investment Programme and Acquisition of Energy Facilities by means of loans - otherwise could lead to a shortage of working capital which may prevent the Company to fulfil properly its license obligations.

Unlike other commercial banks, EBRD has a specific focus on funding activities relating to energy infrastructure. According to EBRD's Strategy for Bulgaria "*provided that the institutional and regulatory environment in the energy sector continued to improve, EBRD will seek to provide financing to private distribution companies ... to address the needs of restructuring their balance sheets and improve their financial situation in the long term plan*"[1].

The focus on this type of projects allows both the development of special expertise from which the Company can benefit as a strategic partner for EBRD, also and financial conditions containing preferences from the synergies of the sector. On the one hand, EBRD works for implementation of large economic goals such as sustainable energy and environmental development[2], on the other hand - stimulates private sector (e.g. the Company). In this regard, the commitments of the Company under the Agreement include adherence to the Action Plan of EBRD in the area of environmental and social matters (EBRD Environmental and Social Action Plan).

Furthermore, the Agreement provides definitely advantageous terms and conditions. The duration of the Agreement (7 years for the Term Loan and 3 +2 +2 years for Revolver Facility) fully covers the current regulatory period to which relate the Investment Programme and the Acquisition of Energy Facilities. The frequency of withdrawal and return of funds under the Agreement is determined by the Company, which allows optimal planning of the cash flow under the Agreement and effectively sealing the withdrawals for investments to the timetable for the Acquisitions of Energy Facilities.

## 6 DRAFT-RESOLUTION

With regard to the abovementioned, it is proposed to the General Meeting to adopt a resolution, as it is contained in the Invitation to the GMoS:

"The General Meeting of the Shareholders of CEZ Distribution Bulgaria AD (the "Company"), gives its consent to the Management Board of CEZ Distribution Bulgaria AD for entering into, in compliance with the rules of representation of the Company before third parties, a long-term Loan Agreement (the "Agreement") with the European Bank for Reconstruction and Development ("EBRD")

**UNDER THE FOLLOWING ESSENTIAL TERMS AND CONDITIONS**:

1. EBRD is the lender and the Company is the borrower. One portion of the principal under the Agreement is made available by EBRD at its own expense directly to the Company, while another portion of the principal under the Agreement is made available at the expense of participating banks designated by EBRD which shall provide the financing indirectly (via EBRD) to the Company. Participating banks are not parties to the Agreement.

2. The purpose of the loan is the financing of:

[1] EBRD Strategy for Bulgaria, approved in November 2011, amended in 2015, pg. 26
[2] There again, pg. 24 and pg. 49

(i) the Company's 2016-2017 investment programme in the distribution network aiming at improving quality and efficiency (hereinafter referred to as the "Investment Programme");
(ii) the acquisition of energy facilities built by third parties during 2006-2014, which are an integrated part of the electricity distribution network and a mandatory regulatory obligation for the Company ("Buy-Outs"), and
(iii) the management of the working capital of the Company.

3. The financing is provided in the form of a term loan (designated to items (i) and (ii) above) and a revolver facility (designated to item (iii) above). The maximum total principal of the Loan is EUR 116,000,000 (one hundred and sixteen million Euro) split in a term loan ("Term Loan") and a revolver facility ("Revolver Facility"). The regular interest on each of the Term Loan and the Revolver Facility is formed as the total of a basis (which is the 6-month EURIBOR floored at zero), and a margin (which is determined in basic points per annum based on the terms offered by approached banks). The maximum annual margin is: Term Loan - 135 Basis Points; Revolver Facility - 160 Basis Points. The interest period is 6 months. In the event of default, the overdue amount accrues default interest at the regular interest margin increased by 2 (two) percent per annum plus the cost of funding of the amounts overdue. The Term Loan shall be available up to the maximum amount of principal for drawdowns for a period of 18 months from the date of the Loan Agreement. The tenor of the Term Loan is 7 years. The schedule of repayment of the Term Loan is: (a). 60% of the principal within 5 years from the expiry of the Availability Period in equal semi-annual instalments; and (b). 40% of the principal as final repayment at the end of the tenor. The tenor or the Revolver Facility is 3 years, where the Company has an option to prolong it by 2 years and subsequently by another 2 years, which is approximately until 30.09.2019. The Revolver Facility is repayable on a current basis. The Company shall owe EBRD fees and commission as set out in detail in the Agreement including without limitation upfront fee, expenses for technical aid and an environmental assessment report as well as legal consultants for the financing being approximately in an aggregate amount of EUR 2, 020 thousand.

***Other essential terms and conditions of the agreement***:

4. The Company does not establish any collateral to secure its liabilities under the Agreement.

5. **The Company will not declare or pay any dividend or distribution except on or after 6 months from the first draw down of the Loan Agreement and then only if certain conditions documented in the Agreement are satisfied including without limitation:** (i) no default occurred and is continuing, and (ii) the Company meets the total financial debt/EBITDA ratio and the Interest Cover ratio; and (iii) the Company limits the total amount of dividend payable each year up to levels as agreed with the EBRD.

6. **The Company will not, without the EBRD's prior consent**: **change its capital (except in accordance with the Financing Plan); respectively change its business in a material way, or amend its By-laws in any manner which is inconsistent with the Agreement; undertake any merger, demerger, consolidation or reorganization, or guarantee the obligations of third parties**.

7. The Company provides representations and warranties of its status, financial condition and course of business at the time of the conclusion of the Agreement and afterwards which representations and warranties the MB considers customary to obtaining the financing from the market at the substantially comparable conditions.

8. The Company undertakes to comply with commitments to certain conditions (affirmative covenants) and the absence of other conditions (negative covenants) whenever drawdown and repay any parts of the Term Loan, which commitments the MB considers customary for agreements substantially similar to the Agreement.

9. The Agreement shall be governed by the English law.

10. All disputes related to the Agreement shall be referred for settlement to the London Court of Arbitration acting in accordance with the rules of the United Nations Commission on International Trade Law (UNICITRAL) or, at the discretion of the EBRD, before the English courts.

11. This transaction shall be entered into by the EBRD subject to documentation and final approval by the Operations Committee and the Board of Directors of EBRD."