

РЕПУБЛИКА СРБИЈА



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30 OCT 2015 20 год
БЕОГРАД, Монархова 11

EXECUTION COPY
(Operation Number 47318)

GUARANTEE AGREEMENT

(EPS Restructuring Project)

between

REPUBLIC OF SERBIA

and

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Dated 30 October 2015

Handwritten initials: PMB, JM.

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GUARANTEE AGREEMENT

AGREEMENT dated 30 October 2015 between **REPUBLIC OF SERBIA** (the "Guarantor") and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

PREAMBLE

WHEREAS, the Guarantor and JP Elektroprivreda Srbije, Beograd, have requested assistance from the Bank in the financing of part of the Project;

WHEREAS, pursuant to a loan agreement dated the date hereof between JP Elektroprivreda Srbije, Beograd, as Borrower and the Bank (the "Loan Agreement" as defined in the Standard Terms and Conditions), the Bank has agreed to make a loan to the Borrower in the amount of EUR200,000,000, subject to the terms and conditions set forth or referred to in the Loan Agreement, but only on the condition that the Guarantor guarantees the obligations of the Borrower under the Loan Agreement as provided in this Agreement; and

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

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 1 December 2012 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications (such provisions as so modified are hereinafter called the "Standard Terms and Conditions"):

(a) The definition of "Euro", "EUR" or "€" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

"Euro", "EUR" or "€" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the legislation of the European Union relating to economic and monetary union."

(b) The definition of "Prohibited Practice" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

""Prohibited Practice" means any Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice or Theft."

(c) The definition of "TARGET Day" in Section 2.02 of the Standard Terms and Conditions shall, for purposes of this Agreement, be modified to read as follows:

""TARGET Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer system is open for the settlement of payments in Euro."

(d) The following definition shall, for purposes of this Agreement, be added in Section 2.02 of the Standard Terms and Conditions:

""Theft" means the misappropriation of property belonging to another person."

Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions and the Loan Agreement have the respective meanings given to them therein and the following term has the following meaning:

"Guarantor's Authorised Representative" means the Minister of Finance of the Guarantor.

Section 1.03. Interpretation

In this Agreement, a reference to a specified Article or Section shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of this Agreement.

ARTICLE II - GUARANTEE; OTHER OBLIGATIONS

Section 2.01. Guarantee

The Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of any and all sums due under the Loan Agreement, whether at stated maturity, by acceleration or otherwise, and the punctual performance of all other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Project Completion

(a) Whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the

carrying out of the Project, the Guarantor shall promptly take measures satisfactory to the Bank to provide the Borrower, or cause the Borrower to be provided, with such funds as are needed to meet such expenditures and requirements.

(b) Without limiting the generality of any other provisions of this Agreement or the Standard Terms and Conditions, the Guarantor shall procure that the level and structure of the Borrower's tariffs is adjusted, as frequently as needed, in accordance with the FCP and to ensure that the Borrower is able to fulfil its obligations under the Loan Agreement, including but not limited to, Section 4.03 of the Loan Agreement.

Section 2.03. Other Obligations

(a) The Guarantor shall not impose any direct or indirect taxes on foreign consultants employed by the Bank or the Borrower in the implementation of the Project and financed out of the proceeds of the Loan or any technical cooperation funds made available by the Bank;

(b) The Guarantor shall ensure that no action which would prevent or interfere with the execution of the Project or the performance of the obligations of the Borrower as set forth in the Loan Agreement, is taken or permitted to be taken by either the Guarantor or any relevant state agency or authority or any of their respective subdivisions or any of the entities owned and controlled by, or operating for the account or benefit of, any of them;

(c) The Guarantor shall, and shall cause the Borrower to, implement all undertakings set out in the FCP and in Schedule 4 to the Loan Agreement within the time frame specified thereunder;

(d) The Guarantor shall not agree to any material change to the FCP without the prior written consent of the Bank, which will not be unreasonably withheld;

(e) The Guarantor shall facilitate the Borrower's collection of revenues from state-owned enterprises and other budgetary institutions; and

(f) The Guarantor shall provide, without charge, to the EBRD Consultant all reasonable support for the carrying out of its functions, including all documents, materials and other information that may be relevant to its work.

Section 2.04. Effectiveness of the Guarantee

This Agreement shall become effective in accordance with Article IX of the Standard Terms and Conditions and upon the corresponding ratification of this Agreement by the National Assembly of the Republic of Serbia.

ARTICLE III - MISCELLANEOUS

Section 3.01. Notices

The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Guarantor:

Minister of Finance of the Republic of Serbia

Kneza Milosa Street 20
11-000 Belgrade
Republic of Serbia

Attention: Cabinet of the Minister of Finance

Fax: + 381 11 3618961

For the Bank:

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Attention: Operation Administration Department

Fax: +44-20-7338-6100

Section 3.02. Legal Opinion

For purposes of Section 9.03(b) of the Standard Terms and Conditions and in accordance with Section 6.02(b) of the Loan Agreement, the opinion or opinions of counsel shall be given on behalf of the Guarantor by the Minister of Justice.

IN WITNESS WHEREOF the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in six copies and delivered at Belgrade, Republic of Serbia, as of the day and year first above written.

BD
REPUBLIC OF SERBIA

By: *Dušan Vujović*
Name: Dušan Vujović
Title: Minister of Finance

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

By: *Nandita Parshad*
Name: Nandita Parshad
Title: Director