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BUDAPEST DISTRICT HEATING STRATEGIC INVESTMENTS

Finance Contract

between the

European Investment Bank

and

Budapesti Távhőszolgáltató Zártkörűen Működő
Részvénytársaság

● [Location], ● [Date]

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THIS CONTRACT IS MADE BETWEEN:

The **European Investment Bank** having its seat at 100 blvd Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by ●

(the "**Bank**")

of the first part, and

Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság, a company incorporated in Hungary, having its registered office at 31 Kalotaszeg u., Budapest, H-1116, represented by ●

(the "**Borrower**")

of the second part.

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WHEREAS:

- (a) The Borrower has stated that it is undertaking an investment programme for the reconstruction, modernization, extension and strategic development of the district heating system in Budapest as more particularly described in the technical description (the "**Technical Description**") set out in Schedule A (the "**Project**").
- (b) The total cost of the Project, as estimated by the Bank, is up to HUF 39,726,900,000.00 (thirty-nine billion seven hundred twenty-six million nine hundred thousand Hungarian forint) and the Borrower has stated that it intends to finance the Project as follows:

Source	Amount (HUF m)
Credit from the Bank	up to 23,000.00
Other funding sources	up to 16,726.90
<i>Out of which EU grants</i>	<i>up to 9,198.00</i>
TOTAL	up to 39,726.90

- (c) In order to fulfil the financing plan set out in Recital (b), the Borrower has requested from the Bank a credit equivalent to HUF 23,000,000,000.00 (twenty-three billion Hungarian forint), to be made available under two or more finance contracts. The Borrower has requested the Bank to provide a credit under this finance contract (the "Contract") in an amount equivalent to HUF 3,340,000,000.00 (three billion three hundred forty million Hungarian forint).
- (d) The Bank considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrower's request providing to it a credit in an amount equivalent to HUF 3,340,000,000.00 (three billion three hundred forty million Hungarian forint) under this Contract; provided that (i) the combined amount of the Bank loan and EU grants shall not, in any case, exceed 90% (ninety per cent) of the total cost of the Project set out in Recital (b).
- (e) This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments ("**EFSI**").
- (f) The General Assembly of the Municipality of Budapest has authorised the borrowing of the sum equivalent to HUF 3,340,000,000.00 (three billion three hundred forty million Hungarian forint) represented by this credit on the terms and conditions set out in this Contract. The Hungarian government has authorised the entering into this Contract by the Borrower in accordance with Act CXCV of 2011 on the economic stability of Hungary. The resolution of the General Assembly of the Municipality of Budapest, the authorisation of the Hungarian government, and the specimen(s) of signature and evidences of signing authority of the person(s) signing this Contract on behalf of the Borrower are attached as Annex II to this Contract.
- (g) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Union; and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant policies of the European Union.
- (h) The financing of the Project includes certain state subsidies or grants and the provision of such funds has been duly authorised and will be provided in compliance with all relevant legislation of the European Union.
- (i) The Bank considers that access to information plays an essential role in the reduction of environmental and social risks, including human rights violations, linked to the projects it finances and has therefore established its transparency policy, the purpose of which is to enhance the accountability of the Bank's group towards its stakeholders and the citizens of the European Union in general.

- (j) The processing of personal data shall be carried out by the Bank in accordance with applicable European Union legislation on the protection of individuals with regard to the processing of personal data by the European Union institutions and bodies and on the free movement of such data.
- (k) The EIB places great emphasis on integrity and good governance and has therefore established policies and procedures to avoid misuse of its funds for purposes of tax fraud, tax evasion, money laundering and financing of terrorism, and with a view to protect against its operations financing artificial arrangements aimed at tax avoidance. Such policies and procedures are designed to be in line with the principles and standards of applicable EU Law, and European Union or internationally agreed tax standards on transparency and exchange of information.

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NOW THEREFORE it is hereby agreed as follows:

INTERPRETATION AND DEFINITIONS

Interpretation

In this Contract:

- (a) references to Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract;
- (b) references to "law" or "laws" mean
 - (i) any applicable law and any applicable treaty, constitution, statute, legislation, decree, normative act, rule, regulation, judgement, order, writ, injunction, determination, award or other legislative or administrative measure or judicial or arbitral decision in any jurisdiction which is binding or applicable case law; and
 - (ii) EU Law;
- (c) references to applicable law, applicable laws or applicable jurisdiction means
 - (i) a law or jurisdiction applicable to the Borrower, its rights and/or obligations (in each case arising out of or in connection with this Contract), its capacity and/or assets and/or the Project; and/or, as applicable; or
 - (ii) a law or jurisdiction (including in each case the Bank's Statute) applicable to the Bank, its rights, obligations, capacity and/or assets;
- (d) references to a provision of law are references to that provision as amended or re-enacted;
- (e) references to any other agreement or instrument are references to that other agreement or instrument as amended, novated, supplemented, extended or restated, and
- (f) words and expressions in plural shall include singular and vice versa.

Definitions

In this Contract:

"Accepted Tranche" means a Tranche in respect of which a Disbursement Offer has been duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline.

"Agreed Deferred Disbursement Date" has the meaning given to it in Article 1.5.A(2)(b).

"Authorisation" means an authorisation, permit, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"Authorised Signatory" means a person authorised to sign individually or jointly (as the case may be) Disbursement Acceptances on behalf of the Borrower and named in the most recent List of Authorised Signatories and Accounts received by the Bank prior to the receipt of the relevant Disbursement Acceptance.

"BUBOR" has the meaning given to it in Schedule B.

"Business Day" means a day (other than a Saturday or Sunday) on which the Bank and commercial banks are open for general business in Luxembourg.

"Change-of-Control Event" has the meaning given to it in Article 4.3.A(3).

"Change-of-Law Event" has the meaning given to it in Article 4.3.A(4).

"Compliance Certificate" means a certificate substantially in the form set out in Schedule E.2.

"Contract" has the meaning given to it in Recital (c).

"**Contract Number**" shall mean the Bank generated number identifying this Contract and indicated on the cover page of this Contract after the letters "FI N°".

"**Credit**" has the meaning given to it in Article 1.1.

"**Deferment Indemnity**" means a fee calculated on the amount of disbursement deferred or suspended being the higher of (a) 0.125% (12.5 basis points), per annum, and (b) the percentage rate by which:

- (a) the interest rate net of the Margin that would have been applicable to such amount had it been disbursed to the Borrower on the Scheduled Disbursement Date, exceeds
- (b) the Relevant Interbank Rate (one month rate) less 0.125% (12.5 basis points), unless this value is less than zero, in which case it will be set at zero.

Such fee shall accrue from the Scheduled Disbursement Date to the Disbursement Date or, as the case may be, until the date of cancellation of the Accepted Tranche in accordance with this Contract.

"**Disbursement Acceptance**" means a copy of the Disbursement Offer duly countersigned by the Borrower.

"**Disbursement Acceptance Deadline**" means the date and time of expiry of a Disbursement Offer as specified therein.

"**Disbursement Account**" means, in respect of each Tranche, the bank account set out in the most recent List of Authorised Signatories and Accounts.

"**Disbursement Date**" means the date on which disbursement of a Tranche is made by the Bank.

"**Disbursement Offer**" means a letter substantially in the form set out in Schedule C.

"**Dispute**" has the meaning given to it in Article 11.2.

"**Disruption Event**" means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Contract; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of either the Bank or the Borrower, preventing that party from:
 - (i) performing its payment obligations under this Contract; or
 - (ii) communicating with other parties,

and which disruption (in either such case as per (a) or (b) above) is not caused by, and is beyond the control of, the party whose operations are disrupted.

"**EFSI**" has the meaning given in Recital (e).

"**EFSI Regulation**" means the Regulation 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, as amended, supplemented or restated.

"**Environment**" means the following, in so far as they affect human health or social well-being:

- (a) fauna and flora;
- (b) soil, water, air, climate and the landscape; and
- (c) cultural heritage and the built environment,

and includes, without limitation, occupational and community health and safety.

"**Environmental Approval**" means any Authorisation required by Environmental Law.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

"Environmental Law" means:

- (a) EU Law, including principles and standards ;
- (b) Hungarian laws and regulations; and
- (c) applicable international treaties ,

in each case of which a principal objective is the preservation, protection or improvement of the Environment.

"EU Law" means the *acquis communautaire* of the European Union as expressed through the Treaties of the European Union, the regulations, directives, delegated acts, implementing acts, and the case law of the Court of Justice of the European Union.

"EUR" or **"euro"** means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

"EURIBOR" has the meaning given to it in Schedule B.

"Event of Default" means any of the circumstances, events or occurrences specified in Article 10.1.

"Final Availability Date" means the day falling 24 (twenty-four) months from the date of signature of this Contract.

"Fixed Rate" means an annual interest rate including the Margin determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest. Such rate shall not be of negative value.

"Fixed Rate Tranche" means a Tranche on which the Fixed Rate is applied.

"Floating Rate" means a fixed-spread floating annual interest rate, determined by the Bank for each successive Floating Rate Reference Period equal to the Relevant Interbank Rate plus the Spread. If the Floating Rate for any Floating Rate Reference Period is calculated to be below zero, it will be set at zero.

"Floating Rate Reference Period" means each period from one Payment Date to the next relevant Payment Date; the first Floating Rate Reference Period shall commence on the date of disbursement of the Tranche.

"Floating Rate Tranche" means a Tranche on which the Floating Rate is applied.

"GAAP" means generally accepted accounting principles in Hungary, including IFRS.

"Group" means the Borrower and its Subsidiaries.

"HUF" means the lawful currency of Hungary.

"IFRS" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"Illegal Activities" means any of the following illegal activities or activities carried out for illegal purposes: tax evasion, tax fraud, fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism or any illegal activity that may affect the financial interests of the EU, according to applicable laws.

"Indemnifiable Prepayment Event" means a Prepayment Event other than those specified in paragraphs 4.3.A(2) (*Pari Passu* to non-EIB Financing) or 4.3.A(5) (Illegality).

"Interest Revision/Conversion" means the determination of new financial conditions relative to the interest rate, specifically the same interest rate basis ("**revision**") or a different interest rate basis ("**conversion**") which can be offered for the remaining term of a Tranche or until the next Interest Revision/Conversion Date, if any, and (i) if the relevant Tranche is denominated in EUR, for an unlimited amount, or (ii) if the relevant Tranche is denominated

in HUF, for an amount which, at the proposed Interest Revision/Conversion Date, is not less than an equivalent of EUR 8,000,000 (eight million euros).

"Interest Revision/Conversion Date" means the date, which shall be a Payment Date, specified by the Bank pursuant to Article 1.2.C in the Disbursement Offer.

"Interest Revision/Conversion Proposal" means a proposal made by the Bank under Schedule D.

"Interest Revision/Conversion Request" means a written notice from the Borrower, delivered at least 75 (seventy-five) days before an Interest Revision/Conversion Date, requesting the Bank to submit to it an Interest Revision/Conversion Proposal. The Interest Revision/Conversion Request shall also specify:

- (a) the Payment Dates chosen in accordance with the provisions of Article 3.1;
- (b) the amount of the Tranche for which the Interest Revision/Conversion shall apply; and
- (c) any further Interest Revision/Conversion Date chosen in accordance with Article 3.1.

"List of Authorised Signatories and Accounts" means a list, in form and substance satisfactory to the Bank, setting out:

- (a) the Authorised Signatories, accompanied by evidence of signing authority of the persons named on the list and specifying if they have individual or joint signing authority,
- (b) the specimen signatures of such persons, and
- (c) the bank account(s) to which disbursements may be made under this Contract (specified by IBAN code if the country is included in the IBAN Registry published by SWIFT, or in the appropriate account format in line with the local banking practice), BIC/SWIFT code of the bank and the name of the bank account(s) beneficiary.

"Loan" means the aggregate of the amounts disbursed from time to time by the Bank under this Contract.

"Loan Outstanding" means the aggregate of the amounts disbursed from time to time by the Bank under this Contract that remains outstanding.

"Margin" means the component of the rate of interest quantified in Article 3.1.

"Market Disruption Event" means any of the following circumstances:

- (a) there are, in the reasonable opinion of the Bank, events or circumstances adversely affecting the Bank's access to its sources of funding;
- (b) in the opinion of the Bank, funds are not available from the Bank's ordinary sources of funding in order to adequately fund a Tranche in the relevant currency and/or for the relevant maturity and/or in relation to the reimbursement profile of such Tranche; or
- (c) in relation to a Tranche in respect of which interest would be payable at Floating Rate:
 - (i) the cost to the Bank of obtaining funds from its sources of funding, as determined by the Bank, for a period equal to the Floating Rate Reference Period of such Tranche (i.e. in the money market) would be in excess of the applicable Relevant Interbank Rate; or
 - (ii) the Bank determines that adequate and fair means do not exist for ascertaining the applicable Relevant Interbank Rate for the relevant currency of such Tranche or it is not possible to determine the applicable Relevant Interbank Rate in accordance with the definition contained in Schedule B.

"Material Adverse Change" means, any event or change of condition, which has a material adverse effect on:

- (a) the ability of the Borrower to perform its obligations under this Contract;
- (b) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower or the Group as a whole; or

- (c) the legality, validity or enforceability of, or the effectiveness or ranking of, or the value of any security granted to the Bank, or the rights or remedies of the Bank under this Contract .

"Maturity Date" means the last Repayment Date of a Tranche specified pursuant to Article 4.1.A(b)(vii).

"Payment Date" means: the annual, semi-annual or quarterly dates specified in the Disbursement Offer until and including the Interest Revision/Conversion Date, if any, or the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (a) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.1, except for those cases where a payment is made in full and in relation to the Interest Revision/Conversion in accordance with Schedule D, point C; and
- (b) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.1.

"Prepayment Amount" means the amount of a Tranche to be prepaid by the Borrower in accordance with Article 4.2.A or Article 4.3.A, as applicable.

"Prepayment Date" means the date, which shall be a Payment Date, on which the Borrower proposes to or is requested by the Bank, as applicable to effect prepayment of a Prepayment Amount.

"Prepayment Event" means any of the events described in Article 4.3.A.

"Prepayment Indemnity" means in respect of any principal amount to be prepaid or cancelled, the amount communicated by the Bank to the Borrower as the present value (calculated as of the Prepayment Date or the date of cancellation pursuant to Article 1.6.C(2)) of the excess, if any, of:

- (a) the interest net of the Margin that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date or the date of cancellation pursuant to Article 1.6.C(2) to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date.

"Prepayment Notice" means a written notice from the Bank to the Borrower in accordance with Article 4.2.C.

"Prepayment Request" means a written request from the Borrower to the Bank to prepay all or part of the Loan Outstanding, in accordance with Article 4.2.A.

"Project" has the meaning given to it in Recital (a).

"Rating Agency" means any of:

- (a) Standard and Poor's Financial Services LLC;
- (b) Fitch Ratings Inc., and
- (c) Moody's Investors Service, Inc.

or their respective successors..

"Redeployment Rate" means the fixed annual rate excluding the Margin determined by the Bank, being a rate which the Bank would apply on the day of the indemnity calculation to a loan that has the same currency the same terms for the payment of interest and the same repayment profile to the Interest Revision/Conversion Date, if any, or the Maturity Date as the Tranche in respect of which a prepayment or cancellation is proposed or requested to be made. Such rate shall not be of negative value.

"Relevant Business Day" means:

- (a) for EUR, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2) is open for the settlement of payments in EUR; and
- (b) for HUF, a day on which banks are open for general business in Budapest.

"Relevant Interbank Rate" means:

- (a) EURIBOR for a Tranche denominated in EUR; and
- (b) BUBOR for a Tranche denominated in HUF.

"Repayment Date" shall mean each of the Payment Dates specified for the repayment of the principal of a Tranche in the Disbursement Offer, in accordance with the criteria set out in Article 4.1.

"Requested Deferred Disbursement Date" has the meaning given to it in Article 1.5.A(1)(b).

"Scheduled Disbursement Date" means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.2.B.

"Security" means any mortgage, pledge, lien, charge, assignment, hypothecation, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Spread" means the fixed spread (being of either positive or negative value) to the Relevant Interbank Rate as determined by the Bank and notified to the Borrower in the relevant Disbursement Offer or Interest Revision/Conversion Proposal. The Spread shall include the Margin.

"Subsidiary" means in respect of any entity (irrespective of its respective legal nature):

- (a) any other entity
 - (i) over which the other entity directly or indirectly exercises control; and / or
 - (ii) in which the other entity directly or indirectly owns more than 50% (fifty per cent) of the registered capital,in which cases such entity shall be consolidated in accordance with the GAAP; or
- (b) which is the Subsidiary of a Subsidiary.

For the purposes of this definition, an entity is under control of the other entity, if the other entity is able to direct its business, and/or set up its board of directors or its similar body.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Technical Description" has the meaning given to it in Recital (a).

"Tranche" means each disbursement made or to be made under this Contract. In case no Disbursement Acceptance has been received, Tranche shall mean a Tranche as offered under Article 1.2.B.

ARTICLE 1

Credit and Disbursements

1.1 Amount of Credit

By this Contract, the Bank establishes in favour of the Borrower, and the Borrower accepts, a credit in an amount equivalent to HUF 3,340,000,000.00 (three billion three hundred forty million Hungarian forint) for the financing of the Project (the "**Credit**").

1.2 Disbursement procedure

1.2.A Tranches

The Bank shall disburse the Credit in 1 (one) Tranche. The amount of the Tranche shall be in the amount equivalent to the Credit.

1.2.B Disbursement Offer

Upon request by the Borrower and subject to Article 1.4.A, provided that no event mentioned in Article 1.5 or Article 1.6B has occurred and is continuing, the Bank shall send to the Borrower within 5 (five) Business Days after the receipt of such request a Disbursement Offer for the disbursement of a Tranche. The latest time for receipt by the Bank of such Borrower's request is 15 (fifteen) Business Days before the Final Availability Date. The Disbursement Offer shall specify:

- (a) the currency, amount and HUF equivalent of the Tranche;
- (b) the Scheduled Disbursement Date, which shall be a Relevant Business Day, falling at least 10 (ten) days after the date of the Disbursement Offer and on or before the Final Availability Date;
- (c) the interest rate basis of the Tranche, being: (i) a Fixed Rate Tranche; or (ii) a Floating Rate Tranche, in each case, pursuant to the relevant provisions of Article 3.1;
- (d) the Payment Dates and the first interest Payment Date for the Tranche;
- (e) the terms for repayment of principal for the Tranche, in accordance with the provisions of Article 4.1;
- (f) the Repayment Dates and the first and the last Repayment Date for the Tranche;
- (g) the Interest Revision/Conversion Date, if requested by the Borrower, for the Tranche;
- (h) for a Fixed Rate Tranche, the Fixed Rate and for a Floating Rate Tranche the Spread, applicable until the Interest Revision/Conversion Date; and
- (i) the Disbursement Acceptance Deadline.

1.2.C Disbursement Acceptance

The Borrower may accept a Disbursement Offer by delivering a Disbursement Acceptance to the Bank no later than the Disbursement Acceptance Deadline. The Disbursement Acceptance shall be signed by an Authorised Signatory with individual representation right or two or more Authorised Signatories with joint representation right and shall specify the Disbursement Account to which the disbursement of the Tranche should be made in accordance with Article 1.2.D.

If a Disbursement Offer is duly accepted by the Borrower in accordance with its terms on or before the Disbursement Acceptance Deadline, the Bank shall make the Accepted Tranche available to the Borrower in accordance with the relevant Disbursement Offer and subject to the terms and conditions of this Contract.

The Borrower shall be deemed to have refused any Disbursement Offer which has not been duly accepted in accordance with its terms on or before the Disbursement Acceptance Deadline.

1.2.D Disbursement Account

Disbursement shall be made to the Disbursement Account specified in the relevant Disbursement Acceptance provided that such Disbursement Account is acceptable to the Bank.

Notwithstanding Article 5.2(e), the Borrower acknowledges that payments to a Disbursement Account notified by the Borrower shall constitute disbursements under this Contract as if they had been made to the Borrower's own bank account.

Only one Disbursement Account may be specified for each Tranche.

1.3 Currency of disbursement

The disbursement of each Tranche shall be made in EUR or, subject to availability, HUF.

For the calculation of the sums available to be disbursed in EUR, and to determine their equivalent in HUF, the Bank shall apply the rate published by the European Central Bank in Frankfurt am Main, available on or shortly before the date of the Disbursement Offer as the Bank shall decide.

1.4 Conditions of disbursement

1.4.A Condition precedent to the first request for Disbursement Offer

The Bank shall have received from the Borrower in form and substance satisfactory to the Bank:

- (a) evidence that the execution of this Contract by the Borrower has been duly authorised and that the person or persons signing this Contract on behalf of the Borrower is/are duly authorised to do so together with the specimen signature of each such person or persons; and
- (b) the List of Authorised Signatories and Accounts;

prior to requesting a Disbursement Offer under Article 1.2.B by the Borrower. Any request for a Disbursement Offer made by the Borrower without the above documents having been received by the Bank and to its satisfaction shall be deemed not made.

1.4.B First Tranche

The disbursement of the first Tranche under Article 1.2 is conditional upon receipt by the Bank, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively), of the following documents or evidence:

- (a) evidence that the Borrower has obtained all necessary Authorisations, required in connection with this Contract and the Project;
- (b) a legal opinion on the due execution of this Contract and the relevant documentation by the Borrower and on the legal, valid, binding and enforceable character of the Borrower's obligations under this Contract and the relevant documentation;
- (c) evidence that insurances in accordance with the requirements of Article 6.5(c) are in place; and
- (d) evidence of compliance by the Borrower with the financial covenants pursuant to Article 6.11.

1.4.C All Tranches

The disbursement of each Tranche under Article 1.2, including the first, is subject to the following conditions:

- (a) that the Bank has received, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche, of the following documents or evidence:
 - (i) a certificate from the Borrower in the form of Schedule E.1 signed by an authorised representative of the Borrower and dated no earlier than the date falling 30 (thirty) days before the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively); and
 - (ii) a copy of any other authorisation or other document, opinion or assurance which the Bank has notified the Borrower is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, this Contract; and
- (b) that on the Scheduled Disbursement Date (and, in the case of deferment under Article 1.5, on the Requested Deferred Disbursement Date or the Agreed Deferred Disbursement Date, respectively) for the proposed Tranche:
 - (i) the representations and warranties which are repeated pursuant to Article 6.13 are correct in all respects; and
 - (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute:
 - (1) an Event of Default; or
 - (2) a Prepayment Event
 has occurred and is continuing unremedied or unwaived or would result from the disbursement of the proposed Tranche.

1.5 Deferment of disbursement

1.5.A Grounds for deferment

1.5.A(1) BORROWER'S REQUEST

The Borrower may send a written request to the Bank requesting the deferral of the disbursement of an Accepted Tranche. The written request must be received by the Bank at least 5 (five) Business Days before the Scheduled Disbursement Date of the an Accepted Tranche and specify:

- (a) whether the Borrower would like to defer the disbursement in whole or in part and if in part, the amount to be deferred; and
- (b) the date until which the Borrower would like to defer a disbursement of the above amount (the "**Requested Deferred Disbursement Date**"), which must be a date falling not later than :
 - (i) 6 (six) months from its Scheduled Disbursement Date; and
 - (ii) 30 (thirty) days prior to the first Repayment Date; and
 - (iii) the Final Availability Date.

Upon receipt of such a written request, the Bank shall defer the disbursement of the relevant amount until the Requested Deferred Disbursement Date.

1.5.A(2) FAILURE TO SATISFY CONDITIONS TO DISBURSEMENT

- (a) The disbursement of an Accepted Tranche shall be deferred if any condition for disbursement of such an Accepted Tranche referred to in Article 1.4 is not fulfilled both:
 - (i) at the date specified for fulfilment of such condition in Article 1.4; and

- (ii) at its Scheduled Disbursement Date (or, where the Scheduled Disbursement Date has been deferred previously, the date expected for disbursement).
- (b) The Bank and the Borrower shall agree the date until which the disbursement of such an Accepted Tranche shall be deferred (the "**Agreed Deferred Disbursement Date**"), which must be a date falling not :
 - (i) earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement; and
 - (ii) later than the Final Availability Date.
- (c) Without prejudice to the Bank's right to suspend and/or cancel the undisbursed portion of the Credit in whole or in part pursuant to Article 1.6.B, the Bank shall defer disbursement of such an Accepted Tranche until the Agreed Deferred Disbursement Date.

1.5.A(3) DEFERMENT INDEMNITY

If disbursement of an Accepted Tranche is be deferred pursuant to paragraphs 1.5.A(1) or 1.5.A(2) above, the Borrower shall pay the Deferment Indemnity.

1.5.B **Cancellation of a disbursement deferred by 6 (six) months**

If a disbursement has been deferred by more than 6 (six) months in aggregate pursuant to Article 1.5.A, the Bank may notify the Borrower in writing that such disbursement shall be cancelled and such cancellation shall take effect on the date of such written notification. The amount of the disbursement which is cancelled by the Bank pursuant to this Article 1.5.B shall remain available for disbursement under Article 1.2.

1.6 **Cancellation and suspension**

1.6.A **Borrower's right to cancel**

The Borrower may send a written notice to the Bank requesting the cancellation of the undisbursed portion of the Credit. The written notice:

- (a) must specify whether the Borrower would like to cancel the undisbursed portion of the Credit in whole or in part and, if in part, the amount of the Credit the Borrower would like to cancel; and
- (b) must not relate to an Accepted Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the written notice.

Upon receipt of such written notice, the Bank shall cancel the requested undisbursed portion of the Credit with immediate effect.

1.6.B **Bank's right to suspend and cancel**

At any time upon the occurrence of the following events, the Bank may notify the Borrower in writing that the undisbursed portion of the Credit shall be suspended and/or (apart from on the occurrence of a Market Disruption Event) cancelled in whole or in part:

- (a) a Prepayment Event;
- (b) an Event of Default;
- (c) an event or circumstance which would with the passage of time or giving of notice under this Contract constitute a Prepayment Event or an Event of Default;
- (d) a Material Adverse Change; or
- (e) a Market Disruption Event provided the Bank has not received a Disbursement Acceptance.

On the date of such written notification the relevant undisbursed portion of the Credit shall be suspended and/or cancelled with immediate effect. Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.

1.6.C Indemnity for suspension and cancellation of a Tranche

1.6.C(1) SUSPENSION

If the Bank suspends an Accepted Tranche upon the occurrence of an Indemnifiable Prepayment Event or an Event of Default, the Borrower shall pay to the Bank the Deferment Indemnity calculated on the amount of disbursement suspended.

1.6.C(2) CANCELLATION

(a) If an Accepted Tranche which is a Fixed Rate Tranche is cancelled:

- (i) by the Borrower pursuant to Article 1.6.A;
- (ii) by the Bank upon an Indemnifiable Prepayment Event or upon the occurrence of a Material Adverse Change or pursuant to Article 1.5.B,

the Borrower shall pay to the Bank the Prepayment Indemnity. The Prepayment Indemnity shall be calculated as if the cancelled amount had been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

- (b) If the Bank cancels an Accepted Tranche upon the occurrence of an Event of Default, the Borrower shall indemnify the Bank in accordance with Article 10.3.
- (c) Save in the cases (a) or (b) above, no Prepayment Indemnity is payable upon cancellation of a Tranche.

1.7 Cancellation after expiry of the Credit

On the day following the Final Availability Date, and unless otherwise specifically agreed to in writing by the Bank, any part of the Credit in respect of which no Disbursement Acceptance has been received in accordance with Article 1.2.C shall be automatically cancelled, without any notice being served by the Bank to the Borrower and without liability arising on the part of either party.

1.8 Sums due under Article 1.5 and 1.6

Sums due under Articles 1.5 and 1.6 shall be payable in the currency of the Tranche concerned. Sums due under Articles 1.5 and 1.6 shall be payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

ARTICLE 2

The Loan

2.1 Amount of Loan

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.3.

2.2 Currency of repayment, interest and other charges

Interest, repayments and other charges payable in respect of each Tranche shall be made by the Borrower in the currency in which the Tranche is disbursed.

Other payment, if any, shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

2.3 Confirmation by the Bank

The Bank shall deliver to the Borrower the amortisation table referred to in Article 4.1, if appropriate, showing the Disbursement Date, currency, the amount disbursed, the repayment terms and the interest rate of and for that Tranche.

ARTICLE 3

Interest

3.1 Rate of interest

For the purposes of this Contract "**Margin**" means 54 (fifty-four) basis points (0.54%).

3.1.A Fixed Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate quarterly, semi-annually or annually in arrear on the relevant Payment Dates as specified in the Disbursement Offer, commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.1(a).

3.1.B Floating Rate Tranches

The Borrower shall pay interest on the outstanding balance of each Floating Rate Tranche at the Floating Rate quarterly, semi-annually or annually in arrear on the relevant Payment Dates, as specified in the Disbursement Offer commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

The Bank shall notify the Borrower of the Floating Rate within 10 (ten) days following the commencement of each Floating Rate Reference Period.

If pursuant to Articles 1.5 and 1.6 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date the Relevant Interbank Rate applicable to the first Floating Rate Reference Period shall apply as though the disbursement had been made on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.1.(b)

3.1.C Revision or Conversion of Tranches

Where the Borrower exercises an option to revise or convert the interest rate basis of a Tranche, it shall, from the effective Interest Revision/Conversion Date (in accordance with the procedure set out in (Schedule D)) pay interest at a rate determined in accordance with the provisions of (Schedule D).

3.2 Interest on overdue sums

Without prejudice to Article 10 and by way of exception to Article 3.1, if the Borrower fails to pay any amount payable by it under this Contract on its due date, interest shall accrue on any overdue amount payable under the terms of this Contract from the due date to the date of actual payment at an annual rate equal to:

- (a) for overdue sums related to Floating Rate Tranches, the applicable Floating Rate plus 2% (200 basis points);

- (b) for overdue sums related to Fixed Rate Tranches, the higher of (a) the applicable Fixed Rate plus 2% (200 basis points) or (b) the Relevant Interbank Rate plus 2% (200 basis points); and
- (c) for overdue sums other than under (a) or (b) above, the Relevant Interbank Rate plus 2% (200 basis points),

and shall be payable in accordance with the demand of the Bank. For the purpose of determining the Relevant Interbank Rate in relation to this Article 3.2, the relevant periods within the meaning of (c) shall be successive periods of one month commencing on the due date. Any unpaid but due interest may be capitalised in conformity with article 1154 of the Luxembourg Civil Code. For the avoidance of doubt, capitalisation of interest shall occur only for interest due but unpaid for a period of more than one year. The Borrower hereby agrees in advance to have the unpaid interest due for a period of more than one year compounded and that as of the capitalisation, such unpaid interest will in turn produce interest at the interest rate set out in this Article 3.2.

If the overdue sum is in a currency other than the currency of the Loan, the following rate per annum shall apply, namely the relevant interbank rate that is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

3.3 Market Disruption Event

- (a) If at any time
 - (i) from the receipt by the Bank of a Disbursement Acceptance in respect of a Tranche, and
 - (ii) until the date falling either:
 - (1) 30 (thirty) calendar days prior to the Scheduled Disbursement Date for Tranches to be disbursed in EUR, or
 - (2) 2 (two) Business Days prior to the Scheduled Disbursement Date for Tranches to be disbursed in HUF,

a Market Disruption Event occurs, the Bank may notify to the Borrower that this clause has come into effect. In such case, the following rules shall apply:

- (b) In the case of an Accepted Tranche to be disbursed in EUR, the rate of interest applicable to such Accepted Tranche until the Maturity Date or the Interest Revision/Conversion Date if any, shall be the percentage rate per annum which is the sum of:
 - (i) the Margin and
 - (ii) the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

The Borrower shall have the right to refuse in writing such disbursement within the deadline specified in the notice and shall bear charges incurred as a result, if any, in which case the Bank shall not effect the disbursement and the corresponding portion of the Credit shall remain available for disbursement under Article 1.2.B. If the Borrower does not refuse the disbursement in time, the parties agree that the disbursement and the conditions thereof shall be fully binding for both parties.

- (c) In the case of an Accepted Tranche to be disbursed in HUF, the Bank shall notify to the Borrower the EUR equivalent to be disbursed on the Scheduled Disbursement Date and the relevant percentage rate as described above under paragraph (b) applicable to the Tranche until the Maturity Date or the Interest Revision/Conversion Date if any. The Borrower shall have the right to refuse in writing such disbursement within the deadline specified in the notice and shall bear charges incurred as a result, if any, in which case the Bank shall not effect the disbursement and the corresponding portion of the Credit shall remain available for disbursement under Article 1.2.B. If the Borrower does not refuse the disbursement in time, the parties agree that the disbursement in EUR and the conditions thereof shall be fully binding for both parties.
- (d) In each case of (b) or (c), above, the Spread or the Fixed Rate previously accepted by the Borrower shall no longer be applicable.

ARTICLE 4

Repayment

4.1 Normal repayment

4.1.A Repayment by instalments

- (a) The Borrower shall repay each Tranche by instalments on the Repayment Dates specified in the relevant Disbursement Offer in accordance with the terms of the amortisation table delivered pursuant to Article 2.3.
- (b) Each amortisation table shall be drawn up on the basis that:
 - (i) in the case of a Fixed Rate Tranche without an Interest Revision/Conversion Date, repayment shall be made quarterly, semi-annually or annually by equal instalments of principal or constant instalments of principal and interest;
 - (ii) in the case of a Fixed Rate Tranche with an Interest Revision/Conversion Date or a Floating Rate Tranche, repayment shall be made by equal quarterly, semi-annual or annual instalments of principal;
 - (iii) the first Repayment Date of each Tranche shall be a Payment Date falling not earlier than 30 (thirty) days from the Scheduled Disbursement Date and not later than the first Repayment Date immediately following the 2nd (second) anniversary of the Scheduled Disbursement Date of the Tranche; and
 - (iv) the last Repayment Date of each Tranche shall be a Payment Date falling not earlier than 4 (four) years and not later than 20 (twenty) years from the Scheduled Disbursement Date.

4.2 Voluntary prepayment

4.2.A Prepayment option

Subject to Articles 4.2.B, 4.2.C and 4.4, the Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Request with at least 30 (thirty) calendar days' prior notice specifying:

- (a) the Prepayment Amount;
- (b) the Prepayment Date;
- (c) if applicable, the choice of application method of the Prepayment Amount in line with Article 5.5.C(a); and
- (d) the Contract Number ("FI nr" 89158) mentioned on the cover page of this Contract.

The Prepayment Request shall be irrevocable.

4.2.B Prepayment indemnity

4.2.B(1) FIXED RATE TRANCHE

Subject to Article 4.2.B(3) below, if the Borrower prepays a Fixed Rate Tranche, the Borrower shall pay to the Bank on the Prepayment Date the Prepayment Indemnity in respect of the Fixed Rate Tranche which is being prepaid.

4.2.B(2) FLOATING RATE TRANCHE

Subject to Article 4.2.B(3) below, the Borrower may prepay a Floating Rate Tranche without indemnity on any relevant Payment Date.

4.2.B(3) REVISION/CONVERSION

Prepayment of a Tranche on its Interest Revision/Conversion Date may be effected without indemnity unless the Borrower has accepted in writing a Fixed Rate under an Interest Revision/Conversion Proposal, as accepted under Article 1.2. pursuant to (Schedule D).

4.2.C Prepayment mechanics

Upon presentation by the Borrower to the Bank of a Prepayment Request, the Bank shall issue a Prepayment Notice to the Borrower, not later than 15 (fifteen) days prior to the Prepayment Date. The Prepayment Notice shall specify the Prepayment Amount, the accrued interest due thereon, the Prepayment Indemnity payable under Article 4.2.B or, as the case may be, that no indemnity is due, the method of application of the Prepayment Amount and if a Prepayment Indemnity is applicable, the deadline by which the Borrower may accept the Prepayment Notice.

If the Borrower accepts the Prepayment Notice no later than by the deadline (if any) specified in the Prepayment Notice, the Borrower shall effect the prepayment. In any other case, the Borrower may not effect the prepayment.

The Borrower shall accompany the payment of the Prepayment Amount by the payment of accrued interest and the Prepayment Indemnity, if any, due on the Prepayment Amount, as specified in the Prepayment Notice.

4.2.D Administrative Fee

If the Borrower prepays a Tranche on a date other than a relevant Payment Date, or if the Bank exceptionally accepts, solely upon the Bank's discretion, a Prepayment Request with prior notice of less than 30 (thirty) calendar days, the Borrower shall pay to the Bank an administrative fee in such amount as the Bank shall notify to the Borrower

4.3 Compulsory prepayment

4.3.A Prepayment Events

4.3.A(1) PROJECT COST REDUCTION

If the total cost of the Project falls below the figure stated in Recital (b) so that the combined amount of the Credit and the EU grants exceeds 90% (ninety per cent) of such total cost of the Project, the Bank may forthwith, by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan Outstanding up to the amount by which the Credit and EU grants together exceed 90% (ninety per cent) of the total cost of the Project, together with accrued interest and all other amounts accrued and outstanding under this Contract in relation to the proportion of the Loan Outstanding to be prepaid. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

4.3.A(2) *PARI PASSU* TO NON-EIB FINANCING

If the Borrower or any other member of the Group voluntarily prepays (for the avoidance of doubt, prepayment shall include a repurchase or cancellation where applicable) a part or the whole of any Non-EIB Financing and:

- (a) such prepayment is not made within a revolving credit facility (save for the cancellation of the revolving credit facility); or
- (b) such prepayment is not made out of the proceeds of a loan or other indebtedness having a term at least equal to the unexpired term of the Non-EIB Financing prepaid;

the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract in relation to the proportion of the Loan Outstanding to be prepaid. The proportion of the Loan Outstanding that the Bank may require to be prepaid shall be the same as the proportion that the prepaid amount of the Non-EIB Financing bears to the aggregate outstanding amount of all Non-EIB Financing.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article, "**Non-EIB Financing**" includes any loan (save for the Loan and any other direct loans from the Bank to the Borrower or any other member of the Group, credit bond or other form of financial indebtedness or any obligation for the payment or repayment of money originally granted to the Borrower or any other member of the Group for a term of more than 3 (three) years.

4.3.A(3) CHANGE OF CONTROL

- (a) The Borrower shall promptly inform the Bank if a Change-of-Control Event has occurred or is likely to occur in respect of itself. At any time after the occurrence of a Change-of-Control Event, the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued or outstanding under this Contract.

In addition, if the Borrower has informed the Bank that a Change-of-Control Event is about to occur, or if the Bank has reasonable cause to believe that a Change-of-Control Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request.

After the earlier of

- (i) the lapse of 30 (thirty) days from the date of such request for consultation, or
- (ii) at any time thereafter, upon the occurrence of the anticipated Change-of-Control Event

the Bank may, by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

- (b) For the purposes of this Article:
 - (i) a "**Change-of-Control Event**" occurs if:
 - (1) any person or group of persons acting in concert gains control of the Borrower or of the entity directly or ultimately controlling the Borrower; or
 - (2) the Municipality of Budapest ceases to be the beneficial owner directly or indirectly through wholly owned subsidiaries of more than 50% (fifty per cent) of the issued share capital of the Borrower;
 - (ii) "**acting in concert**" means acting together pursuant to an agreement or understanding (whether formal or informal); and
- (c) "**control**" means the power to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise.

4.3.A(4) CHANGE OF LAW

The Borrower shall promptly inform the Bank if a Change-of-Law Event has occurred or is likely to occur. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the lapse of 30 (thirty) days from the date of such request for consultation the Bank is of the reasonable opinion that the effects of the Change-of-Law Event cannot be mitigated to its satisfaction, the Bank may by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article "**Change-of-Law Event**" means the enactment, promulgation, execution or ratification of or any change in or amendment to any law, rule or regulation (or in the application or official interpretation of any law, rule or regulation) that occurs after the date of this Contract and which, in the opinion of the Bank, would materially impair the Borrower's ability to perform its obligations under this Contract.

4.3.A(5) ILLEGALITY

If it becomes unlawful in any applicable jurisdiction for the Bank to:

- (a) perform any of its obligations as contemplated in this Contract, or
- (b) fund or maintain the Loan,

the Bank shall promptly notify the Borrower and may immediately (i) suspend or cancel the undisbursed portion of the Credit and/or (ii) demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract on the date indicated by the Bank in its notice to the Borrower.

4.3.A(6) EU GRANT EVENT

If the Borrower is informed, or has reasonable grounds to believe, that any financial assistance for the Project from EU grants has been, or is intended to be, cancelled, or if the Borrower has repaid or has been required to repay fully or partially any applicable EU grants financial assistance (such cancellation or repayment hereinafter referred to as an "**EU Grant Event**"), the Borrower shall promptly inform the Bank. Upon receipt of such information the Bank may demand that the Borrower consult with it. Such consultation shall take place within 30 days from the date of the Bank's request. In addition, after the elapse of 30 days from the date of such a request, the Bank may, by notice to the Borrower, forthwith cancel the Credit and demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract in relation to the proportion of the Loan Outstanding to be prepaid. The proportion of the Loan Outstanding that the Bank may require to be prepaid shall be the same as the proportion that the cancelled or repaid financial assistance from the EU grants bears to the total financial assistance for the Project from the EU grants.

If (i) all financial assistance for the Project from EU grants has been cancelled, and/or the Borrower has repaid fully all applicable EU grants; and (ii) the total cost of the Project falls below the figure stated in Recital (b) so that the amount of the Bank loan exceeds 75% (seventy-five per cent) of such total cost of the Project, the Bank may forthwith, by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan Outstanding up to the amount by which the Credit exceeds 75% (seventy-five per cent) of the total cost of the Project, together with accrued interest and all other amounts accrued and outstanding under this Contract in relation to the proportion of the Loan Outstanding to be prepaid. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

4.3.A(7) CHANGE/LOSS-OF-LICENCE EVENT

The Borrower shall promptly inform the Bank if a Change/Loss-of-Licence Event has occurred or is likely to occur. In such case, the Bank may immediately (i) suspend or cancel the undisbursed portion of the Credit; and/or (ii) demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article "**Change/Loss-of-Licence Event**" means if any licence held by the Borrower is partly or fully revoked, not extended before its respective licence expiry, or in any way repudiated or limited by the Hungarian regulator or any other relevant court, authority, or public body.

4.03A(8) PUBLIC SERVICE AGREEMENT

The Borrower main business activities consist of the provision of district heating in the territory of the Municipality of Budapest. The Borrower performs its activities as a public service, on the basis of (i) the Act CLXXXIX of 2011 on the local municipalities of Hungary (the "**Act**"); and (ii) the Decree 22/2012. (III. 14.) of the General Assembly of the Municipality of Budapest on the assets of the Municipality of Budapest and on the exercise of the ownership rights over such assets (the "**Decree**"). The Act provides that the provision of district heating in the territory of the Municipality of Budapest is a public service. The Decree provides that the Borrower has exclusive right to perform such public service in the territory of the Municipality of Budapest. On the basis of the Act, the Decree and the public service agreement between the Borrower and the Municipality of Budapest dated 12 May 2014 (the "**Public Service Agreement**"), the remuneration of the public service performed by the Borrower to third parties is payable by such third parties and the proceeds constitute the own income of the Borrower.

The Borrower shall promptly inform the Bank if

- (a) the Act or the Decree is amended or replaced and as a result the Borrower loses or likely to lose its exclusive right to perform the district heating public service in the territory of the Municipality of Budapest or otherwise materially detrimentally affects its business activities; and/or
- (b) the Public Service Agreement is not renewed or is likely to be not renewed on or before 3 June 2025, or otherwise terminated without adequate replacement,

in which case, the Bank may immediately (i) suspend or cancel the undisbursed portion of the Credit; and/or (ii) demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

4.3.B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.3.A, together with any interest or other amounts accrued or outstanding under this Contract including, without limitation, any indemnity due under Article 4.3.C, shall be paid on the date indicated by the Bank in its notice of demand.

4.3.C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.2.B.

4.4 General

4.4.A No prejudice to Article 10

This Article 4 shall not prejudice Article 10.

4.4.B No reborrowing

A repaid or prepaid amount may not be reborrowed.

ARTICLE 5

Payments

5.1 Day count convention

Any amount due by way of interest, indemnity or fee from the Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (a) in respect of interest and indemnities due under a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days; and
- (b) in respect of interest and indemnities due under a Floating Rate Tranche, a year of 360 (three hundred and sixty) days and the number of days elapsed.

5.2 Time and place of payment

- (a) Unless otherwise specified in this Contract or in the Bank's demand, all sums other than sums of interest, indemnity and principal are payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand.
- (b) Each sum payable by the Borrower under this Contract shall be paid to the relevant account notified by the Bank to the Borrower. The Bank shall notify the account not less than 15 (fifteen) days before the due date for the first payment by the Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.
- (c) The Borrower shall indicate the Contract Number in the payment details for each payment made hereunder.
- (d) A sum due from the Borrower shall be deemed paid when the Bank receives it.
- (e) Any disbursements by and payments to the Bank under this Contract shall be made using account(s) acceptable to the Bank. Any account in the name of the Borrower held with a duly authorised financial institution in the jurisdiction where the Borrower is incorporated or where the Project is undertaken is deemed acceptable to the Bank.

5.3 No set-off by the Borrower

All payments to be made by the Borrower under this Contract shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

5.4 Disruption to Payment Systems

If either the Bank determines (in its discretion) that a Disruption Event has occurred or the Bank is notified by the Borrower that a Disruption Event has occurred:

- (a) the Bank may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of this Contract as the Bank may deem necessary in the circumstances;
- (b) the Bank shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes; and

- (c) the Bank shall not be liable for any damages, costs or losses whatsoever arising as a result of a Disruption Event or for taking or not taking any action pursuant to or in connection with this Article 5.4.

5.5 Application of sums received

5.5.A General

Sums received from the Borrower shall only discharge its payment obligations if received in accordance with the terms of this Contract.

5.5.B Partial payments

If the Bank receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under this Contract, the Bank shall apply that payment:

- (a) firstly, in or towards pro rata to each of any unpaid fees, costs, indemnities and expenses due under this Contract;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under this Contract;
- (c) thirdly, in or towards payment of any principal due but unpaid under this Contract; and
- (d) fourthly, in or towards payment of any other sum due but unpaid under this Contract.

5.5.C Allocation of sums related to Tranches

- (a) In case of:
 - (i) a partial voluntary prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied pro rata to each outstanding instalment, or, at the request of the Borrower, in inverse order of maturity; or
 - (ii) a partial compulsory prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied in reduction of the outstanding instalments in inverse order of maturity.
- (b) Sums received by the Bank following a demand under Article 10.1 and applied to a Tranche, shall reduce the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.
- (c) In case of receipt of sums which cannot be identified as applicable to a specific Tranche, and on which there is no agreement between the Bank and the Borrower on their application, the Bank may apply these between Tranches at its discretion.

ARTICLE 6

Borrower undertakings and representations

The undertakings in this Article 6 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

A. PROJECT UNDERTAKINGS

6.1 Use of Loan and availability of other funds

The Borrower shall use all amounts borrowed by it under this Contract for the execution of the Project.

The Borrower shall ensure that it has available to it the other funds listed in Recital (b) and that such funds are expended, to the extent required, on the financing of the Project.

6.2 Completion of Project

The Borrower shall carry out the Project in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

6.3 Increased cost of Project

If the total cost of the Project exceeds the estimated figure set out in Recital (b), the Borrower shall obtain the finance to fund the excess cost without recourse to the Bank, so as to enable the Project to be completed in accordance with the Technical Description. The plans for funding the excess cost shall be communicated to the Bank without delay.

6.4 Procurement procedure

The Borrower shall purchase equipment, secure services and order works for the Project (a) in so far as they apply to it or to the Project, in accordance with European Union law in general and in particular with the relevant European Union Directives and (b) in so far as European Union Directives do not apply, by procurement procedures which, to the satisfaction of the Bank, respect the criteria of economy and efficiency and, in case of public contracts, the principles of transparency, equal treatment and non-discrimination on the basis of nationality.

6.5 Continuing Project undertakings

The Borrower shall:

- (a) **Maintenance:** maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) **Project assets:** unless the Bank shall have given its prior consent in writing retain title to and possession of all or substantially all the assets comprising the Project or, as appropriate, replace and renew such assets and maintain the Project in substantially continuous operation in accordance with its original purpose; the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under its Statute or under article 309 of the Treaty on the Functioning of the European Union;
- (c) **Insurance:** insure all works and property forming part of the Project with first class insurance companies in accordance with the most comprehensive relevant industry practice;
- (d) **Rights and Permits:** maintain in force all rights of way or use and all Authorisations necessary for the execution and operation of the Project;
- (e) **Environment:**
 - (i) implement and operate the Project in compliance with Environmental Law;
 - (ii) obtain and maintain requisite Environmental Approvals for the Project; a
 - (iii) comply with any such Environmental Approvals;
 - (iv) send to the Bank, as soon as available, (1) preliminary environmental studies prepared and submitted to the authorities to support the screening requests; and (2) copies of all Environmental Impact Assessment (the "EIA") screening decisions concerning the Project components issued by the competent authority for nature and environment;
 - (v) not allocate the Bank's funds to Project components that require an EIA until the EIA and the biodiversity assessment as well as the environmental permitting process have been finalised, to the satisfaction of the Bank. When the EIA is made available to the public, an electronic copy of the full EIA study shall be sent to the Bank;

- (vi) take into account and implement conditions expressed in any screening-out decision or EIA consent granted by the competent authority for nature and environment;
- (f) **Integrity:** take, within a reasonable timeframe, appropriate measures in respect of any member of its management bodies who has been convicted by a final and irrevocable court ruling of Illegal Activities perpetrated in the course of the exercise of his/her professional duties, in order to ensure that such member is excluded from any Borrower's activity in relation to the Credit, Loan or the Project, and
- (g) **Integrity Audit Rights:** ensure that all contracts under the Project to be procured after the date of signature of this Contract in accordance with EU Directives on procurement provide for:
 - (i) the requirement that the relevant contractor promptly informs the Bank of a genuine allegation, complaint or information with regard to Illegal Activities related to the Project;
 - (ii) the requirement that the relevant contractor keeps books and records of all financial transactions and expenditures in connection with the Project; and
 - (iii) the Bank's right, in relation to an alleged Illegal Activities, to review the books and records of the relevant contractor in relation to the Project and to take copies of documents to the extent permitted by law.

6.6 Visibility

The Borrower agrees to cooperate with the Bank to ensure any press releases or publications made by the Borrower regarding the financing and the Project include an appropriate acknowledgement of the financial support provided by EIB with the backing of the European Union through EFSI.

B. GENERAL UNDERTAKINGS

6.7 Disposal of assets

The Borrower shall not, and shall procure that no other member of the Group will, either in a single transaction or in a series of transactions whether related or not and whether voluntarily or involuntarily dispose of any part of its assets.

6.8 Compliance with laws

The Borrower shall comply in all respects with all laws and regulations to which it or the Project is subject.

6.9 Change in business

The Borrower shall procure that no substantial change is made to the core business of the Borrower or the Group as a whole from that carried on at the date of this Contract.

6.10 Merger

The Borrower shall not and shall ensure that no other member of the Group will enter into any amalgamation, demerger, merger or corporate reconstruction, unless with the prior written consent of the Bank.

6.11 Financial covenants

- (a) The Borrower shall ensure that on each Test Date:
 - (i) the ratio of Net Debt to EBITDA will not exceed two point five to one (2.5:1);
 - (ii) the ratio of Equity to Total Assets will exceed forty per cent (40%); and

- (iii) the ratio of EBITDA to Debt Service will exceed three to one (3:1);
- (b) The financial covenants set out in point (a) above shall be tested at the time of delivery of the confirmations referred to in Article 8.2 (a) (i) and (ii) (each such date a “**Test Date**”).

For the purposes of this Article:

“**Debt Service**” means, in respect of any Relevant Period, the sum of (i) the principal repayments under long-term Financial Debt, (ii) any net decrease in the aggregate principle amount outstanding under short-term Financial Debt, and (iii) any interest payments and other charges on all Financial Debt due or accrued during such period.

“**EBITDA**” means, in respect of any Relevant Period, the total operating profit of the Group accumulated during such Relevant Period, **plus** the amount of dividends received by the Group, **plus** any depreciation or amortisation accounted by the Group.

“**Equity**” means, in respect of the end of any Relevant Period, the total equity of the Group (as set out in the relevant consolidated financial statements).

“**Financial Debt**” means, with respect to any person, any debt of such person for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

“**Net Debt**” means, in respect of the end of any Relevant Period, the aggregate principal amount of the Financial Debt of the Group **excluding** any such amount incurred between the members of the Group; **less** the aggregate amount of cash and cash equivalent held by any member of the Group.

“**Relevant Period**” means each period of twelve months ending on (a) 30 June of the relevant financial year of the Borrower in respect of a Test Date falling on 30 June of the same financial year; or (b) 31 December of the relevant financial year of the Borrower in respect of a Test Date falling on 31 December of the same financial year.

6.12 “Total Assets” means, in respect of the end of any Relevant Period, the total assets of the Group (as set out in the relevant consolidated financial statements). Books and records

The Borrower shall ensure that it has kept and will continue to keep proper books and records of account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower, including expenditures in connection with the Project, in accordance with GAAP as in effect from time to time.

6.13 General Representations and Warranties

The Borrower represents and warrants to the Bank that:

- (a) it is duly incorporated and validly existing as a private company limited by shares (in Hungarian: "zártkörűen működő részvénytársaság") under the laws of Hungary and it has power to carry on its business as it is now being conducted and to own its property and other assets;
- (b) it has the power to execute, deliver and perform its obligations under this Contract and all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same by it;
- (c) this Contract constitutes its legally valid, binding and enforceable obligations;
- (d) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not contravene or conflict with:
 - (i) any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
 - (ii) any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
 - (iii) any provision of its constitutional documents;
- (e) the latest available consolidated audited accounts of the Borrower have been prepared on a basis consistent with previous years and have been approved by its auditors as representing a true and fair view of the results of its operations for that year and accurately disclose or reserve against all the liabilities (actual or contingent) of the Borrower;
- (f) there has been no Material Adverse Change since 22 June 2018;
- (g) no event or circumstance which constitutes a Prepayment Event or an Event of Default has occurred and is continuing unremedied or unwaived;
- (h) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a payment obligation in excess of [EUR 300,000.00 (three hundred thousand euro)] or otherwise in a Material Adverse Change, nor is there subsisting against it or any of its subsidiaries any unsatisfied judgement or award;
 - (i) it has obtained all necessary Authorisations in connection with this Contract and in order to lawfully comply with its obligations hereunder, and the Project and all such Authorisations are in full force and effect and admissible in evidence;
 - (j) at the date of this Contract, no Security exists over its assets or over those of the Group;
- (k) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally;
- (l) it is in compliance with Article 6.5(e) and to the best of its knowledge and belief (having made due and careful enquiry) no Environmental Claim has been commenced or is threatened against it; and
- (m) it is in compliance with all undertakings under this Article 6; and
- (n) no loss-of-rating clause has been concluded with any other creditor of the Borrower and no financial covenants concluded with any other creditor of the Borrower are more restrictive than the ones contained in this Contract; and

- (o) to the best of its knowledge, no funds invested in the Project by the Borrower or by its controlling entities or by another member of the Group are of illicit origin, including products of money laundering or linked to the financing of terrorism. The Borrower shall promptly inform the Bank if at any time it becomes aware of the illicit origin of any such funds;
- (p) it is not engaged in any Illegal Activities and to the best of its knowledge no Illegal Activities have occurred in connection with the Project; and
- (q) any factual information provided by the Borrower for the purposes of entering into this Contract and any related documentation was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated and continues to be true and accurate in all material respect as at the date of the signature of this Contract.

The representations and warranties set out above shall survive the execution of this Contract and are, with the exception of the representations set out in paragraphs (f) and (p) above, deemed repeated on each date of Disbursement Acceptance, date of Compliance Certificate, Disbursement Date and on each Payment Date.

ARTICLE 7

Security

7.1 Negative pledge

- (a) The Borrower shall not and the Borrower shall ensure that no other member of the Group will create or permit to subsist any Security over any of its assets.
- (b) For the purposes of this Article 7.1, the term Security shall also include any arrangement or transaction on assets or receivables or money (such as the sale, transfer or other disposal of assets on terms whereby they are or may be leased to or re-acquired by the Borrower or any other member of the Group, the sale, transfer or other disposal of any receivables on recourse terms or any arrangement under which money or the benefit of a bank account or other account may be applied or set-off or any preferential arrangement having a similar effect) in circumstances where the arrangement or transaction is entered into primarily as a method of raising credit or of financing the acquisition of an asset.
- (c) Paragraph (a) above does not apply to any Security, listed below:
 - (i) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
 - (ii) any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by a member of the Group for the purpose of:
 - (1) hedging any risk to which any member of the Group is exposed in its ordinary course of trading; or
 - (2) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes only, excluding, in each case, any Security under a credit support arrangement in relation to a hedging transaction;
 - (iii) any Security or preference arising by operation of law and in the ordinary course of trading;
 - (iv) any Security over or affecting any asset acquired by a member of the Group after the date of this Contract if:
 - (1) the Security was not created in contemplation of the acquisition of that asset by a member of the Group;

- (2) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Group; and
- (3) the Security is removed or discharged within 6 (six) months of the date of acquisition of such asset;
- (v) any Security over or affecting any asset of any company which becomes a member of the Group after the date of this Contract, where the Security is created prior to the date on which that company becomes a member of the Group, if:
 - (1) the Security was not created in contemplation of the acquisition of that company;
 - (2) the principal amount secured has not increased in contemplation of or since the acquisition of that company; and
 - (3) the Security is removed or discharged within 6 (six) months of that company becoming a member of the Group;
- (vi) any Security entered into pursuant to this Contract;
- (vii) any Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Group.

7.2 Pari passu ranking

The Borrower shall ensure that its payment obligations under this Contract rank, and will rank, not less than pari passu in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally.

7.3 Clauses by inclusion

If the Borrower or any other member of the Group concludes with any other financial creditor a financing agreement that includes a loss-of-rating clause or a covenant or other provision regarding its financial ratios, if applicable, that is not provided for in this Contract or is more favourable to the relevant financial creditor than any equivalent provision of this Contract is to the Bank, the Borrower shall promptly inform the Bank and shall provide a copy of the more favourable provision to the Bank. The Bank may request that the Borrower promptly executes an agreement to amend this Contract so as to provide for an equivalent provision in favour of the Bank.

ARTICLE 8

Information and Visits

8.1 Information concerning the Project

The Borrower shall:

- (a) deliver to the Bank:
 - (i) the information in content and in form, and at the times, specified in Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract;
 - (ii) any such information or further document concerning the Project, as the Bank may require to comply with its obligations under the EFSI Regulation; and

- (iii) any such information or further document concerning the financing, procurement, implementation, operation and environmental matters of or for the Project as the Bank may reasonably require within a reasonable time;

provided always that if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Borrower's expense and the Borrower shall provide such persons with all assistance necessary for the purpose;

- (b) submit for the approval of the Bank without delay any material change to the Project, also taking into account the disclosures made to the Bank in connection with the Project prior to the signing of this Contract, in respect of, inter alia, the price, design, plans, timetable or to the expenditure programme or financing plan for the Project;
- (c) promptly inform the Bank of:
 - (i) any action or protest initiated or any objection raised by any third party or any genuine complaint received by the Borrower or any [material] Environmental Claim that is to its knowledge commenced, pending or threatened against it with regard to environmental or other matters affecting the Project;
 - (ii) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project;
 - (iii) a genuine allegation, complaint or information with regard to Illegal Activities related to the Loan and/or the Project; and
 - (iv) any non-compliance by it with any applicable Environmental Law; and
 - (v) any suspension, revocation or modification of any Environmental Approval; and
 - (vi) the expiration, any change or extension related to the Public Service Agreement, the Act or the Decree,and set out the action to be taken with respect to such matters; and
- (d) provide to the Bank, if so requested:
 - (i) a certificate of its insurers showing fulfilment of the requirements of Article 6.5(c); and
 - (ii) annually, a list of policies in force covering the insured property forming part of the Project, together with confirmation of payment of the current premiums.

8.2 Information concerning the Borrower

The Borrower shall:

- (a) deliver to the Bank:
 - (i) as soon as they become available but in any event within 180 (one hundred and eighty) days after the end of each of its financial years its audited consolidated and unconsolidated annual report, balance sheet, cash flow statement, profit and loss account and auditors report for that financial year together with a Compliance Certificate as set out in Schedule E.2 signed by two directors or by the Borrower's auditors confirming compliance by the Borrower with the financial covenants pursuant to Article 6.11 and with evidence of such compliance and related calculations]; and

- (ii) as soon as they become available but in any event within 120 (one hundred and twenty) days after the end of each of the relevant accounting periods its interim consolidated and unconsolidated semi-annual report, balance sheet, profit and loss account and cash flow statement for the first half-year of each of its financial years together with a Compliance Certificate as set out in Schedule E.2 signed by two directors confirming compliance by the Borrower with the financial covenants pursuant to Article 6.11 and with evidence of such compliance and related calculations; and
- (iii) from time to time, such further information, evidence or document concerning:
 - (1) its general financial situation or such certificates of compliance with the undertakings of Article 6;
 - (2) customer due diligence matters of, or for, the Borrower to comply with “know your customer” (KYC) or similar identification procedures; and
 - (3) the factual information or documents provided to the Bank for the purposes of entering into this Contract,
 as the Bank may deem necessary or may reasonably require to be provided within a reasonable time, and
- (b) inform the Bank immediately of:
 - (i) any material alteration to its constitutional documents or shareholding structure and of any change of ownership of 5% or more of its shares after the date of this Contract;
 - (ii) any fact which obliges it to prepay any financial indebtedness or any European Union funding;
 - (iii) any event or decision that constitutes or may result in a Prepayment Event;
 - (iv) any intention on its part to grant any Security over any of its assets in favour of a third party;
 - (v) any intention on its part to relinquish ownership of any material component of the Project;
 - (vi) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrower under this Contract;
 - (vii) any Event of Default having occurred or being threatened or anticipated;
 - (viii) unless prohibited by law, any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority, which, to the best of its knowledge and belief, is current, imminent or pending against the Borrower or its controlling entities or members of the Borrower’s management bodies in connection with Illegal Activities related to the Credit, the Loan or the Project;
 - (ix) any measure taken by the Borrower pursuant to Article 6.5(f) of this Contract;
 - (x) any litigation, arbitration or administrative proceedings or investigation which is current, threatened or pending and which might if adversely determined result in a Material Adverse Change;
 - (xi) any EU Grant Event as referred to in Article 4.3A(6) or any reduction or suspension of any financial assistance for the Project from the applicable EU grants.

8.3 Visits by the Bank

The Borrower shall allow the Bank and, when either required by the relevant mandatory provisions of EU law or pursuant to the EFSI Regulation, the competent EU institutions including the European Court of Auditors, the Commission, the European Anti-Fraud Office, as well as persons designated by the foregoing,

- (a) to visit the sites, installations and works comprising the Project,
- (b) to interview representatives of the Borrower, and not obstruct contacts with any other person involved in or affected by the Project; and
- (c) to conduct such on the spot audits and checks as they may wish and review the Borrower's books and records in relation to the execution of the Project and to be able to take copies of related documents to the extent permitted by the law.

The Borrower shall provide the Bank, or ensure that the Bank is provided, with all necessary assistance for the purposes described in this Article.

In the case of a genuine allegation, complaint or information with regard to Illegal Activities related to the Loan and/or the Project, the Borrower shall consult with the Bank in good faith regarding appropriate actions. In particular, if it is proven that a third party committed Illegal Activities in connection with the Loan and/or the Project with the result that the Loan or the EFSI financing were misapplied, the Bank may, without prejudice to the other provisions of this Contract, inform the Borrower if, in its view, the Borrower should take appropriate recovery measures against such third party. In any such case, the Borrower shall in good faith consider the Bank's views and keep the Bank informed.

8.4 Disclosure and publication

The Borrower acknowledges that:

- (a) the Bank may be obliged to communicate information relating to the Borrower and the Project to any competent institution or body of the European Union in accordance with the relevant mandatory provisions of European Union law or pursuant to the EFSI Regulation; and
- (b) the Bank may publish on its website or produce press releases containing information related to the financing provided pursuant to this Contract with support of the EFSI including the name and address of the Borrower, the purpose of the financing and the type and amount of financing received under this Contract.

ARTICLE 9

Charges and expenses

9.1 Taxes, duties and fees

The Borrower shall pay all Taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or any related document and in the creation, perfection, registration or enforcement of any Security for the Loan to the extent applicable.

The Borrower shall pay all principal, interest, indemnities and other amounts due under this Contract gross without any withholding or deduction of any national or local impositions whatsoever required by law or under an agreement with a governmental authority or otherwise. If the Borrower is obliged to make any such withholding or deduction, it shall gross up the payment to the Bank so that after withholding or deduction, the net amount received by the Bank is equivalent to the sum due.

9.2 Other charges

The Borrower shall bear all charges and expenses, including professional, banking or exchange charges incurred in connection with the preparation, execution, implementation, enforcement and termination of this Contract or any related document, any amendment, supplement or waiver in respect of this Contract or any related document, and in the amendment, creation, management, enforcement and realisation of any security for the Loan.

9.3 Increased costs, indemnity and set-off

- (a) The Borrower shall pay to the Bank any costs or expenses incurred or suffered by the Bank as a consequence of the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or compliance with any law or regulation which occurs after the date of signature of this Contract, in accordance with or as a result of which (i) the Bank is obliged to incur additional costs in order to fund or perform its obligations under this Contract, or (ii) any amount owed to the Bank under this Contract or the financial income resulting from the granting of the Credit or the Loan by the Bank to the Borrower is reduced or eliminated.
- (b) Without prejudice to any other rights of the Bank under this Contract or under any applicable law, the Borrower shall indemnify and hold the Bank harmless from and against any loss incurred as a result of any full or partial discharge that takes place in a manner other than as expressly set out in this Contract.
- (c) The Bank may set off any matured obligation due from the Borrower under this Contract (to the extent beneficially owned by the Bank) against any obligation (whether or not matured) owed by the Bank to the Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Bank may set off in an amount estimated by it in good faith to be the amount of that obligation.

ARTICLE 10

Events of Default

10.1 Right to demand repayment

The Borrower shall repay all or part of the Loan Outstanding (as requested by the Bank) forthwith, together with accrued interest and all other accrued or outstanding amounts under this Contract, upon written demand being made by the Bank in accordance with the following provisions.

10.1.A Immediate demand

The Bank may make such demand immediately without prior notice (*mise en demeure préalable*) or any judicial or extra judicial step:

- (a) if the Borrower does not pay on the due date any amount payable pursuant to this Contract at the place and in the currency in which it is expressed to be payable, unless (i) its failure to pay is caused by an administrative or technical error or a Disruption Event and (ii) payment is made within 3 (three) Business Days of its due date;
- (b) if any information or document given to the Bank by or on behalf of the Borrower or any representation, warranty or statement made or deemed to be made by the Borrower in or pursuant to this Contract or in connection with the negotiation or performance of this Contract is or proves to have been incorrect, incomplete or misleading in any material respect;
- (c) if, following any default of the Borrower or any other member of the Group in relation to any loan, or any obligation arising out of any financial transaction, other than the Loan,
 - (i) the Borrower or any other member of the Group is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity such other loan or obligation, or
 - (ii) any financial commitment for such other loan or obligation is cancelled or suspended;

- (d) if the Borrower or any member of the Group is unable to pay its debts as they fall due, or suspends its debts, or makes or seeks to make a composition with its creditors;
- (e) if any corporate action, legal proceedings or other procedure or step is taken in relation to the suspension of payments, a moratorium of any indebtedness, dissolution, administration or reorganisation (by way of voluntary arrangement or otherwise), including in particular without limitation to bankruptcy (*faillite*), controlled management (*gestion contrôlée*), suspension of payments (*sursis de paiement*) arrangement with creditors (*concordat préventif de la faillite*) and judicial liquidation (*liquidation judiciaire*) proceedings or any analogous procedure or step is taken under any applicable law in any jurisdiction or an order is made or an effective resolution is passed for the winding up of the Borrower or any member of the Group, or if the Borrower or any member of the Group takes steps towards a substantial reduction in its capital, is declared insolvent or ceases or resolves to cease to carry on the whole or any substantial part of its business or activities, or any situation similar to any of the above occurs under any applicable law;
- (f) if an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority or by any person, of or over, any part of the business or assets of the Borrower or any member of the Group or any property forming part of the Project;
- (g) if the Borrower or any member of the Group defaults in the performance of any obligation in respect of (i) any other loan made to it from the resources of the Bank or the European Union; or (ii) financial instrument entered into with the Bank or the European Union;
- (h) if any expropriation, attachment, arrestment, distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower or any property forming part of the Project and is not discharged or stayed within 14 (fourteen) days;
- (i) if a Material Adverse Change occurs, as compared with the Borrower's condition at the date of this Contract; or
- (j) if it is or becomes unlawful for the Borrower to perform any of its obligations under this Contract or this Contract is not effective in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms.

10.1.B Demand after notice to remedy

The Bank may also make such demand without prior notice (*mise en demeure préalable*) or any judicial or extra judicial step (without prejudice to any notice referred to below):

- (a) if the Borrower fails to comply with any provision of this Contract (other than those referred to in Article 10.1.A; or
- (b) if any fact related to the Borrower or the Project stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project,

unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within a reasonable period of time specified in a notice served by the Bank on the Borrower.

10.2 Other rights at law

Article 10.1 shall not restrict any other right of the Bank at law to require prepayment of the Loan Outstanding.

10.3 Indemnity

10.3.A Fixed Rate Tranches

In case of demand under Article 10.1 in respect of any Fixed Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with the indemnity on any amount of principal due to be prepaid. Such indemnity shall (i) accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified, and (ii) be for the amount communicated by the Bank to the Borrower as the present value (calculated as of the date of the prepayment) of the excess, if any, of:

- (a) the interest net of the Margin that would accrue thereafter on the amount prepaid over the period from the date of prepayment to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date of the applicable Tranche

10.3.B Floating Rate Tranches

In case of demand under Article 10.1 in respect of any Floating Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum equal to the present value of 0.15% (fifteen basis points) per annum calculated and accruing on the amount of principal due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount had remained outstanding according to the applicable amortisation schedule of the Tranche, until the Interest Revision/Conversion Date, if any, or the Maturity Date.

The value shall be calculated at a discount rate equal to the Redeployment Rate applied as of each relevant Payment Date.

10.3.C General

Amounts due by the Borrower pursuant to this Article 10.3 shall be payable on the date specified in the Bank's demand.

10.4 Non-Waiver

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Contract shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Contract are cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 11

Law and dispute resolution, miscellaneous

11.1 Governing Law

This Contract and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Luxembourg.

11.2 Jurisdiction

- (a) The courts of Luxembourg-City have exclusive jurisdiction to settle any dispute arising out of or in connection with this Contract (including a dispute regarding the existence, validity or termination of this Contract or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Contract.

- (b) The parties agree that the courts of Luxembourg-City are the most appropriate and convenient courts to settle any disputes between them and, accordingly, that they will not argue to the contrary.
- (c) This Article 11.2 is for the benefit of the Bank only. As a result and notwithstanding Article 11.2(a), it does not prevent the Bank from taking proceedings relating to a dispute (including a dispute relating to the existence, validity or termination hereof or any non-contractual obligation arising out of or in connection with this Deed) in any other courts with jurisdiction. To the extent allowed by law, the Bank may take concurrent proceedings in any number of jurisdictions.

11.3 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Contract, shall be the seat of the Bank.

11.4 Evidence of sums due

In any legal action arising out of this Contract the certificate of the Bank as to any amount or rate due to the Bank under this Contract shall, in the absence of manifest error, be prima facie evidence of such amount or rate.

11.5 Entire Agreement

This Contract constitutes the entire agreement between the Bank and the Borrower in relation to the provision of the Credit hereunder, and supersedes any previous agreement, whether express or implied, on the same matter.

11.6 Invalidity

If at any time any term of this Contract is or becomes illegal, invalid or unenforceable in any respect, or this Contract is or becomes ineffective in any respect, under the laws of any jurisdiction, such illegality, invalidity, unenforceability or ineffectiveness shall not affect:

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Contract or the effectiveness in any other respect of this Contract in that jurisdiction; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Contract or the effectiveness of this Contract under the laws of such other jurisdictions.

11.7 Amendments

Any amendment to this Contract shall be made in writing and shall be signed by the parties hereto.

11.8 Counterparts

This Contract may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

ARTICLE 12

Final clauses

12.1 Notices

12.1.A Form of Notice

- (a) Any notice or other communication given under this Contract must be in writing and, unless otherwise stated, may be made by letter, electronic mail and facsimile.
- (b) Notices and other communications for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter, facsimile or by electronic mail. Such notices and communications shall be deemed to have been received by the other party:
 - (i) on the date of delivery in relation to a hand-delivered or registered letter;
 - (ii) on receipt of transmission in relation to a facsimile;
 - (iii) in the case of any electronic mail sent by the Borrower to the Bank, only when actually received in readable form and only if it is addressed in such a manner as the Bank shall specify for this purpose, or
 - (iv) in the case of any electronic mail sent by the Bank to the Borrower, when the electronic mail is sent.
- (c) Any notice provided by the Borrower to the Bank by electronic mail shall:
 - (i) mention the Contract Number in the subject line; and
 - (ii) be in the form of a non-editable electronic image (pdf, tif or other common non editable file format agreed between the parties) of the notice signed by an Authorised Signatory with individual representation right or by two or more Authorised Signatories with joint representation right of the Borrower as appropriate, attached to the electronic mail.
- (d) Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.
- (e) Without affecting the validity of electronic mail or facsimile notices or communication made in accordance with this Article 12.1, the following notices, communications and documents shall also be sent by registered letter to the relevant party at the latest on the immediately following Business Day:
 - (i) Disbursement Acceptance notices and communication in respect of the deferment, cancellation and suspension of a disbursement of any Tranche, interest revision or conversion of any Tranche, Market Disruption Event, Prepayment Request, Prepayment Notice, Event of Default, any demand for prepayment, and
 - (ii) any other notice, communication or document required by the Bank.
- (f) The parties agree that any above communication (including via electronic mail) is an accepted form of communication, shall constitute admissible evidence in court and shall have the same evidential value as an agreement under hand (*sous seing privé*).

12.1.B Addresses

The address, fax number and electronic mail address (and the department or officer, if any, for whose attention the communication is to be made) of each party for any communication to be made or document to be delivered under or in connection with this Contract is:

For the Bank

Attention: OPS/CSEE/3

[NO INDIVIDUAL NAMES]

100 boulevard Konrad Adenauer

L-2950 Luxembourg

E-mail address: contactline-89158@eib.org

For the Borrower

Attention: Department/Division

Budapesti Távhőszolgáltató Zártkörűen
Működő Részvénytársaság

31 Kalotaszeg u., Budapest, H-1116

E-mail address: fotav@fotav.hu

Copies

Attention: Department/Division Financial
Division

E-mail address: fotav@fotav.hu

12.1.C Notification of communication details

The Bank and the Borrower shall promptly notify the other party in writing of any change in their respective communication details.

12.2 English language

- (a) Any notice or communication given under or in connection with this Contract must be in English.
- (b) All other documents provided under or in connection with this Contract must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Bank, accompanied by a certified English translation and, in this case, the English translation will prevail.

12.3 Recitals, Schedules and Annex

The Recitals and following Schedules form part of this Contract:

Schedule A	Project Specification and Reporting
Schedule B	Definitions of Relevant Interbank Rates
Schedule C	Forms for Borrower
Schedule D	Interest Rate Revision and Conversion
Schedule E	Certificates to be provided by the Borrower

The following Annex is attached hereto:

Annex I	Resolution of Board of Directors of Borrower and authorisation of signatory
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The parties hereto have caused this Contract to be executed in ● originals in the English language and have respectively caused ● and ● to initial each page of this Contract on their behalf.

At ●, this ● 20●

Signed for and on behalf of
EUROPEAN INVESTMENT BANK

Signed for and on behalf of
**BUDAPESTI TÁVHŐSZOLGÁLTATÓ
ZÁRTKÖRŰEN MŰKÖDŐ
RÉSZVÉNYTÁRSASÁG**

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DRAFT

Project Specification and Reporting

A.1 Technical Description (Article 6.2)

Purpose, Location

The Programme concerns the investment programme of the Promoter for the reconstruction, modernization, extension and strategic development of the district heating system in Budapest, the capital city of Hungary. The main purpose of the investments is to optimize and further develop the heat supply services to meet efficiently the existing and future heating demand in Budapest. The Programme will reduce emissions of greenhouse gases and other pollutants by replacing individual heat sources in residential and public buildings with centralised heat generation, by adding new renewable heat generation, by modernising existing heat generation assets and by increasing the overall efficiency of the district heating system.

Description

The Programme consists of the following major types of investments:

- Reconstruction and modernization of the existing district heating system
 - Heat generation assets (Promoter reference B.1.1)
 - Chimney and boiler building reconstructions on two heat generation plants (Rakoskeresztur, Eszak-budai);
 - Condenser replacement and rehabilitation on the substation of the heat-to-energy plant (HUHA),
 - Installation of new induction heat measurement equipment at two heat generation plants (Ujpalota, Rakoskeresztur), etc.
 - Treatment of leaking waters on one of the heat generation plants (Eszak-budai)
 - Pipeline network (Promoter reference B.1.2)
 - Replacement of old pipelines with state-of-the-art pre-insulated pipes with glass fibre reinforced plastic protective tubing where necessary;
 - Replacement or installation of related fittings (shut-off valves, draining and bypass valves, etc.);
 - Reconstruction or installation of civil engineering structures (pits, ducts, supporting structures);
 - The reconstruction works on pipelines and related infrastructure will cover around 4 350 m of pipelines of various diameters at more than 40 different locations.
 - Substations (Promoter reference B.1.3)
 - Full reconstruction of about 150 heating substations annually;
 - Partial reconstruction works on heating substations (primary system modernization, installation of metering equipment, replacement of domestic heat water storage and expansion tanks; electrical supply reconstruction).
- District heating system developments (Promoter reference B.2)
 - Connecting new customers with a total estimated annual heat demand of 580 PJ, and a maximum heat load of 30 MW; Some of the bigger new customers are listed below (Promoter reference B.2.1):
 - AGORA Budapest new office centre – 5 MW
 - New Puskas Ferenc Stadium – 4.5 MW
 - Hospital “Janos” – 4 MW
 - Millenium Garden office building - 3.2 MW
 - Elite park (732 appartmants) – 3 MW
 - WING office centre – 2.8
 - BudaPart office and apartment buildings – 1.5 MW
 - National Public Service University – 1.5 MW

- Strategic developments (Promoter reference B.2.2) on heating plants and construction of strategic transmission pipelines to connect individual “islands” of the existing district heating network allowing optimization of use of heat sources, more efficient network operation and making available the district heating service in new areas of the city, like in the central districts. The major projects are the following (Promoter reference B.2.2.2):
 - Tahi project – Capacity upgrade of the existing DN600 transmission line by installing a new DN 800 pipeline.
 - Liget project – Constructing the pipeline sections D1 and E1 of the Kispest-Angyalfold strategic heat transmission line
 - Erzsebet bridge – Connecting the city centre of Budapest to district heating network by constructing the transmission pipeline (~ 800 m 2xDN600, ~ 520 m 2xDN400) crossing the Danube using the support structure of the Erzsebet bridge.
 - WING project – Construction of the second stage of the DN400 strategic transmission line (Vagohid u. – Ulloi u. – Orczy u.) with a length of 360 m.
- Substation upgrades to allow remote control operation (Promoter reference B.2.2.3);
 - About 500 heating substations will be upgraded annually to enable remote control operation.
- Liget cooling project (Promoter reference B.2.5)
- IT reconstruction, modernization and developments, including cyber security improvements (Promoter reference B.3);
- Other investments (Promoter reference B.4) related to the buildings, equipment, tools and instruments of the Promoter including building energy efficiency improvements (insulation, replacement of windows, modernization of lighting, etc.).
- Construction of two new biomass heat only generation plants with useful heat capacity of 20 MWth each. The boilers will be fuelled by woodchips (regionally sourced forest and industrial residue). The first plant will be constructed on an existing heat generation site of the Promoter (Eszak-budai), where currently heat is generated in gas-fuelled heat only boilers. The other biomass plant will be built within an existing industrial zone on the Eastern part of Budapest (Kobanya).

Calendar

The Programme will be implemented in 2018 and 2019.

A.2 Information Duties under Article 8.1(a)

1. Dispatch of information: designation of the person responsible

The information below has to be sent to the Bank under the responsibility of:

	Financial Contact	Technical Contact
Company	<i>FOTAV ZRt.</i>	<i>FOTAV ZRt</i>
Contact person	<i>Kocsis Krisztian</i>	<i>Norbert Plander</i>
Title	<i>Head of Division</i>	<i>Director</i>
Function / Department financial and technical	<i>Financing Division</i>	<i>Directorate of Investments</i>
Address	<i>1116 Budapest, Kalotaszeg utca 31. PF: 1509 Bp., Pf. 9</i>	<i>1116 Budapest, Kalotaszeg utca 31. PF: 1509 Bp., Pf. 9</i>
Phone	<i>+36 1 700 6547</i>	<i>+36 1 700 6363</i>
Fax	<i>+36 1 463 6251</i>	<i>+36 1 463 6251</i>
Email	<i>kkocsis@fotav.hu</i>	<i>nplander@fotav.hu</i>

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being. The Borrower shall inform the EIB immediately in case of any change.

2. Information on specific subjects

The Borrower shall deliver to the Bank the following information at the latest by the deadline indicated below.

Document / information	Deadline
<i>Copies of all EIA screening decisions concerning the programme components issued by the competent authority for nature and environment; The preliminary environmental studies as well, which were prepared and submitted to the authorities to support the screening requests.</i>	<i>As soon as the documents are available.</i>
...	

3. Information on the Programme's implementation

The Borrower shall deliver to the Bank the following information on Programme progress during implementation at the latest by the deadline indicated below.

Document / information	Deadline	Frequency of reporting
<p>Project Progress Report:</p> <p>Reference Data</p> <p><i>Name of the project:</i></p> <p><i>Promoter:</i></p> <p><i>Contract number:</i></p> <p><i>Period of operation covered in this report: mm/yyyy – mm/yyyy</i></p> <p><i>Author/contact:</i></p> <p>1) Project scope and implementation</p> <p>a) <i>An update of the Technical Description given in Annex 1 with realised amounts (cost and deliverables), explaining the reasons for significant changes vs. initial scope, including the progress for each Programme scheme;</i></p> <p>b) <i>An update of date of start and completion of works for each of the main project's schemes, explaining reasons for any possible delay in comparison to original time schedule given in Annex A1;</i></p> <p>c) <i>Any accidents occurred during project implementation resulting in the person(s) concerned being off for more than 30 days;</i></p> <p>d) <i>Any legal action concerning the project that may be on-going;</i></p> <p>e) <i>Non-confidential project-related pictures, if available.</i></p> <p>2) Environmental and social aspects</p> <p>a) <i>For all Programme schemes update of the status of the permitting processes. Update of the status of fulfilment of the mitigation measures outlined in the permits, if any;</i></p> <p>b) <i>A description of any major environmental issues during the implementation of the Programme schemes;</i></p> <p>c) <i>A description of any major social issues during the implementation of the Programme schemes;</i></p> <p>d) <i>Any legal action concerning the environmental or social impact of the programme that has or may be on-going or expected;</i></p> <p>3) Operational aspects</p> <p>a) <i>Update on the Programme's demand or usage (i.e. heat volumes produced and distributed per year, heat capacity demand of new connections) and comments;</i></p> <p>b) <i>Reporting on the operation (experiences, problems) of commissioned Programme components.</i></p>	<p>31 May, 2019, 2020</p>	<p>Annually</p>

<p>c) <i>Update on the Promoter's operation of the district heating networks, basic operational and safety performance indicators, comments;</i></p> <p>d) <i>Any significant issues that have occurred and any significant risk that may affect the project</i></p> <p>4) Regulation</p> <p>a) <i>Any relevant change of the regulatory framework and tariff setting that has occurred.</i></p>		
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4. Information on the end of works and first year of operation

The Borrower shall deliver to the Bank the following information on project completion and initial operation at the latest by the deadline indicated below.

Document / information	Date of delivery to the Bank
<p>Project Completion Report:</p> <p>Reference Data</p> <p><i>Name of the project:</i></p> <p><i>Promoter:</i></p> <p><i>Contract number:</i></p> <p><i>Commercial Operation Date: dd/mm/yyyy</i></p> <p><i>Period of operation covered in this report: mm/yyyy – mm/yyyy</i></p> <p><i>Author/contact:</i></p> <p>1. Technical scope and characteristics</p> <p>a. <i>A description of the technical characteristics of the programme as completed;</i></p> <p>b. <i>An update of the Technical Description given in Annex A1 to the Finance Contract with realized amounts, explaining the reasons for significant changes vs. initial scope;</i></p> <p>2. Programme implementation</p> <p>a. <i>The date of start and completion of works for each of the programme's main schemes, explaining reasons for any possible delay in comparison to original time schedule given in Annex A1 to the Finance Contract;</i></p> <p>b. <i>The final cost of the programme schemes, explaining reasons for any possible cost increases vs. initial budgeted cost given in Annex A1;</i></p> <p>c. <i>The employment impact of the programme: both temporary employment impact during implementation (in person-year) and permanent new jobs created in</i></p>	<p>31 May 2021</p>

- operation (full time equivalent);
- d. Any legal action concerning the programme that has or may be on-going or expected (including compensation cases);
- e. Any accidents occurred during programme implementation resulting in the person(s) concerned being off for more than 30 days;

3. Operational aspects

- a. Project's first year operational data explaining reasons for any deviation from original forecast;
- b. Update on the Promoter's operation of the district heating networks, basic operational and safety performance indicators, final impact and benefits of the project;
- c. Confirmation that the programme has been implemented and operated in compliance with requirements under respective permits (operating licenses in place, reliability and performance tests successfully completed);
- d. Any significant issue that has occurred or any significant risk that may affect the project's operation;
- e. Statistics on the programme's health and safety performance during the first year of operation;
- f. Report the emissions (in terms of tCO2 equivalent per year) for the first year of operation and the long-term forecast; level of heat losses;

4. Market and regulatory environment

- a. Any relevant change of the regulatory framework and tariff setting that has occurred;
- b. Update on the market situation in Budapest, supply/demand balance, demand developments over the investment period and first year of operation;
- c. Energy distributed and network peak demand over the investment period and first year of operation; incremental energy supplied as a result of the programme;

5. Environmental and social aspects

- a. Final update of the status of the permitting processes for all programme schemes requiring permits;
- b. Describe the main environmental and social impacts during implementation and residual impacts;
- c. For all programme schemes requiring permits, status of fulfilment of the mitigation measures outlined in the permits (if any);
- d. Any significant public acceptance issue related to programme schemes;

Language of reports

English

Definitions of Relevant Interbank Rates**A. EURIBOR**

"EURIBOR" means:

- (a) in respect of a relevant period of less than one month, the Screen Rate (as defined below) for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "**Representative Period**").

For the purposes of paragraphs (b) and (c) above:

"**available**" means the rates, for given maturities, that are calculated and published by Global Rate Set Systems Ltd (GRSS), or such other service provider selected by the European Money Markets Institute (EMMI), under the sponsorship of EMMI and EURIBOR ACI, or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank; and

"**Screen Rate**" means the rate of interest for deposits in EUR for the relevant period as published at 11h00, Brussels time, or at a later time acceptable to the Bank on the day (the "**Reset Date**") which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such Screen Rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11h00, Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11h00, Brussels time, on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European banks for a period equal to the Representative Period.

If no rate is available as provided above, EURIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

B. BUBOR

"BUBOR" means:

- (a) in respect of a relevant period of one month or less than a month, the rate of interest for deposits in HUF for a term of one month;
- (b) in respect of any relevant period or any other period of time, of more than one month:
 - (i) if it corresponds to any period for which rates of interest for deposits in HUF are commonly quoted, the rate of interest for deposits in HUF for a period

corresponding to the term of such relevant period; or

- (ii) if it does not correspond to any period for which rates of interest for deposits in HUF are commonly quoted, the rate resulting from a linear interpolation by reference to two rates of interest for deposits in HUF, one of which shall be a rate commonly quoted for a period next shorter than a relevant period and the other for a period next longer than the relevant period;

(the period, or periods, for which the rate is taken or based on which the rate is interpolated being hereafter referred to as the “**Representative Period**”) as published at 11:00 a.m. Budapest time or at a later time acceptable to the Bank on the day (the “**Reset Date**”) which falls 2 (two) Budapest Business Days prior to the first day of the relevant period, on Reuters page BUBOR= or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such rate is not so published, the Bank shall request the principal Budapest offices of 4 (four) major banks operating in the HUF interbank market, selected by the Bank, to quote the rate at which HUF deposits in a comparable amount are offered by each of them as at approximately 11:00 a.m. Budapest time, Budapest time on the day which falls 2 (two) Budapest Business Days after the Reset Date, for loans in HUF in a comparable amount to leading European banks for a period equal to the Representative Period.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in Budapest, selected by the Bank, at approximately 11:00 a.m., Budapest time on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in HUF in a comparable amount to leading European banks for a period equal to the Representative Period.

If no rate is available as provided above, BUBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

C. GENERAL

For the purposes of the foregoing definitions:

- (a) “**Budapest Business Day**” means a day on which banks are open for normal business in Budapest.
- (b) All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth (in respect BUBOR), or one thousandth (in respect of EURIBOR) of a percentage point, with halves being rounded up.
- (c) The Bank shall inform the Borrower without delay of the quotations received by the Bank.
- (d) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of
 - (i) the National Bank of Hungary (or any successor to that function of the National Bank of Hungary as determined by the Bank) in respect of BUBOR; or
 - (ii) EMMI and EURIBOR ACI (or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank) in respect of EURIBOR; or
- (e) In such case, the Bank may immediately (i) suspend or cancel the undisbursed portion of the Credit; and/or (ii) demand prepayment of the Loan Outstanding, together with accrued interest and all other amounts accrued and outstanding under this Contract.
- (f) The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.
the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.

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Forms for BorrowerC.1 Form of Disbursement Offer/Acceptance (Articles 1.2.B and 1.2.C.)

To: Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság
 From: European Investment Bank
 Date:
 Subject: Disbursement Offer/Acceptance for the Finance Contract between European Investment Bank and Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság dated ● (the "**Finance Contract**")
 Serapis number 2018-0061 FI number 89158

Dear Sirs,

We refer to the Finance Contract. Terms defined in the Finance Contract have the same meaning when used in this letter.

Following your request for a Disbursement Offer from the Bank, in accordance with Article 1.2.B of the Finance Contract, we hereby offer to make available to you the following Tranche:

- (a) Currency and amount to be disbursed and its EUR equivalent:
- (b) Scheduled Disbursement Date:
- (c) Interest rate basis:
- (d) Interest payment periodicity:
- (e) Payment Dates:
- (f) Terms for repayment of principal:
- (g) The Repayment Dates and the first and the last Repayment Date for the Tranche:
- (h) The Interest Revision/Conversion Date:
- (i) The Fixed Rate or Spread, applicable until the Interest Revision/Conversion Date if any, or until the Maturity Date.

To make the Tranche available subject to the terms and conditions of the Finance Contract, the Bank must receive a Disbursement Acceptance in the form of a copy of this Disbursement Offer duly signed on your behalf, to the following fax number [] or e-mail [] no later than the Disbursement Acceptance Deadline of [time] Luxembourg time on [date].

The Disbursement Acceptance below must be signed by an Authorised Signatory and must be fully completed as indicated, to include the details of the Disbursement Account.

If not duly accepted by the above stated time, the offer contained in this document shall be deemed to have been refused and shall automatically lapse.

If you do accept the Tranche as described in this Disbursement Offer, all the related terms and conditions of the Finance Contract shall apply, in particular, the provisions of Article 1.4.

Yours faithfully,

EUROPEAN INVESTMENT BANK

We hereby accept the above Disbursement Offer:

for and on behalf of Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság

Date:

Account to be credited:

Account N°:

Account Holder/Beneficiary:

(please, provide IBAN format if the country is included in IBAN Registry published by SWIFT, otherwise an appropriate format in line with the local banking practice should be provided)

Bank name and address:

Bank identification code (BIC):

Payment details to be provided:

Please transmit information relevant to:

Name(s) of the Borrower's Authorised Signatory(ies):

.....

Signature(s) of the Borrower's Authorised Signatory(ies):

IMPORTANT NOTICE TO THE BORROWER:

BY COUNTERSIGNING ABOVE YOU CONFIRM THAT THE LIST OF AUTHORISED SIGNATORIES AND ACCOUNTS PROVIDED TO THE BANK WAS DULY UPDATED PRIOR TO THE PRESENTATION OF THE ABOVE DISBURSEMENT OFFER BY THE BANK.

IN THE EVENT THAT ANY SIGNATORIES OR ACCOUNTS APPEARING IN THIS DISBURSEMENT ACCEPTANCE ARE NOT INCLUDED IN THE LATEST LIST OF AUTHORISED SIGNATORIES AND ACCOUNTS RECEIVED BY THE BANK, THE ABOVE DISBURSEMENT OFFER SHALL BE DEEMED AS NOT HAVING BEEN MADE.

Interest Rate Revision and Conversion

If an Interest Revision/Conversion Date has been included in the Disbursement Offer for a Tranche, the following provisions shall apply.

A. Mechanics of Interest Revision/Conversion

Upon receiving an Interest Revision/Conversion Request the Bank shall, during the period commencing 60 (sixty) days and ending 30 (thirty) days before the Interest Revision/Conversion Date, deliver to the Borrower an Interest Revision/Conversion Proposal stating:

- (a) the Fixed Rate or the Spread that would apply to the Tranche, or of its part indicated in the Interest Revision/Conversion Request pursuant to Article 3.1; and
- (b) that such rate shall apply until the Maturity Date or until a new Interest Revision/Conversion Date, if any, and that interest is payable quarterly, semi-annually or annually in accordance with Article 3.1, in arrear on designated Payment Dates.

The Borrower may accept in writing an Interest Revision/Conversion Proposal by the deadline specified therein.

Any amendment to the Contract requested by the Bank in this connection shall be effected by an agreement to be concluded not later than 15 (fifteen) days prior to the relevant Interest Revision/Conversion Date.

Fixed Rates and Spreads are available for periods of not less than 4 (four) years or, in the absence of a repayment of principal during that period, not less than 3 (three) years.

B. Effects of Interest Revision/Conversion

If the Borrower duly accepts in writing a Fixed Rate or a Spread in respect of an Interest Revision/Conversion Proposal, the Borrower shall pay accrued interest on the Interest Revision/Conversion Date and thereafter on the designated Payment Dates.

Prior to the Interest Revision/Conversion Date, the relevant provisions of the Contract and Disbursement Offer and Disbursement Acceptance shall apply to the Tranche in its entirety. From and including the Interest Revision/Conversion Date onwards, the provisions contained in the Interest Revision/Conversion Proposal relating to the new interest rate or the Spread shall apply to the Tranche (or any part thereof, as indicated in the Interest Revision/Conversion Request) until the new Interest Revision/Conversion Date, if any, or until the Maturity Date.

C. No or Partial Interest Revision/Conversion

If the Borrower does not submit an Interest Revision/Conversion Request or does not accept in writing the Interest Revision/Conversion Proposal for the Tranche or if the parties fail to effect an amendment requested by the Bank pursuant to paragraph A above, the Borrower shall repay the Tranche (or the part thereof, as indicated in the Interest Revision/Conversion Request) on the Interest Revision/Conversion Date, without indemnity.

In case of a partial Interest Revision/Conversion, the Borrower will repay, without indemnity, on the Interest Revision/Conversion Date any part of the Tranche which was not covered by the Interest Revision/Conversion Request and which is therefore not subject to the Interest Revision/Conversion.

Certificates to be provided by the Borrower

E.1 Form of Certificate from Borrower (Article 1.4.C)

To: European Investment Bank
From: Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság
Date:
Subject: BUDAPEST DISTRICT HEATING STRATEGIC INVESTMENTS Finance Contract between European Investment Bank and Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság dated ● (the "**Finance Contract**")
Contract Number 89158 Operation Number 2018-0061

Dear Sirs,

Terms defined in the Finance Contract have the same meaning when used in this letter.

For the purposes of Article 1.4 of the Finance Contract we hereby certify to you as follows:

- (a) no Prepayment Event has occurred and is continuing unremedied or unwaived;
- (b) we are in compliance with the financial covenants pursuant to Article 6.11 and attached is evidence of such compliance and related calculations;
- (c) no security of the type prohibited under Article 7.1 has been created or is in existence;
- (d) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.1, save as previously communicated by us;
- (e) we have sufficient funds available to ensure the timely completion and implementation of the Project in accordance with Schedule A;
- (f) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived;
- (g) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us or any of our subsidiaries any unsatisfied judgement or award;
- (h) the representations and warranties to be made or repeated by us under Article 6.13 are true in all respects; and
- (i) no Material Adverse Change has occurred, as compared with the situation at the date of the Finance Contract.

Yours faithfully,

For and on behalf of Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság

Date:

E.2 Form of Compliance Certificate

To: European Investment Bank

From: Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság

Date:

Subject: BUDAPEST DISTRICT HEATING STRATEGIC INVESTMENTS Finance Contract between European Investment Bank and Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság dated ● (the "**Finance Contract**")

Contract Number 89158

Operation Number 2018-0061

Dear Sirs,

We refer to the Finance Contract. This is a Compliance Certificate. Terms defined in the Finance Contract have the same meaning when used in this Compliance Certificate.

We hereby confirm:

- (a) on a [insert the date of calculation of the financial covenants], [insert financial covenant name and repeat for every financial covenant] amounts to [insert number] compared to [minimum / maximum] level of [insert number];
- (b) [no asset disposal prohibited under Article [6.7] has taken place] / [insert information regarding asset disposal];
- (c) [no security of the type prohibited under Article 7.1 has been created or is in existence;]
- (d) [no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived. [If this statement cannot be made, this certificate should identify any potential event of default that is continuing and the steps, if any, being taken to remedy it].

Yours faithfully,

For and on behalf of Budapesti Távhőszolgáltató Zártkörűen Működő Részvénytársaság / [auditor of the Borrower]

[director]

[director]

Resolution of Board of Directors of Borrower and authorisation of signatory

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