

PRE-FINANCING AGREEMENT

Re: ROMANIA / SWIFT DOLJ

This Pre-financing Agreement (the “**Agreement**”) is made on _____,
by and between:

- (1) Compania de Apa Oltenia S.A.(“**Company**”), having its offices at Brestei Street nr.133, Craiova, Dolj County, Romania;
- (2) The Municipality of Craiova (the “**Municipality**”), having its office at A.I. Cuza Street nr.7, Craiova, Dolj County, Romania
- (3) The County of Dolj (the “**County**”) having its offices at Calea Unirii nr.19, Craiova, Dolj County, Romania;

and

- (3) The European Bank for Reconstruction and Development (the “**Bank**”), having its headquarters at One Exchange Square, London EC2A 2JN, United Kingdom.

(Collectively, the “**Parties**”).

WHEREAS:

A. By a loan agreement between the Bank and the Company dated 10 September 2013 (the “**Existing Loan Agreement**”), the Bank agreed to provide to the Company a loan in the principal amount of up to RON 57,000,000 (the “**Existing Loan**”), on the terms and conditions set forth in the Existing Loan Agreement, to co-finance a regional investment programme under the EU 2007-2013 Cohesion Funds programme (the “**Previous Project**”).

B. By a Project Support Deed between the Municipality of Craiova, the County of Dolj, the Company, and the Bank dated 10 September 2013, the Municipality of Craiova, in consideration of the Bank entering into the Existing Loan Agreement, have agreed to provide support to the Previous Project and to undertake the obligations set forth in the Project Support Deed.

C. The Company is now seeking to co-finance the European Union Large Operating Infrastructure Programme (“**LIOP**”) to be implemented in the region of Dolj under the EU 2014-2020 Cohesion Funds programme, and potentially to finance some other related investments (the “**Project**”).

- D. The Bank is considering participation in the Project through the provision of long-term financing to the Company in the amount of up to **EUR39,000,000** in two Tranches as described below, preferably under the form of a new loan (the “**New Loan**”) by way of a new Loan Agreement (the “**New Loan Agreement**”):
 - up to **EUR 25,000,000** under the form of a new committed loan (“**Tranche 1 Committed**”);
 - up to **EUR 14,000,000** under the form of a new uncommitted loan (“**Tranche 2 Uncommitted**”). Tranche 2 Uncommitted shall become available and committed only after full disbursement of Tranche 1 Committed and subject to fulfilment of terms and conditions of the financing to be provided by the Bank and covenanted financial ratios in the New Loan Agreement.

E. The Company is preparing up to EUR 390 million Cohesion Fund application with the estimated own contribution of the Company of EUR 39 million.

F. The Parties wish to set forth in this Agreement the basis on which they will work together in preparing the proposed financing for the Project.

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. The Bank confirms its interest in considering participating in the Project (subject to Section 7 below) through the provision of the New Loan to the Company. The terms and conditions of any financing to be provided by the Bank will be negotiated after appraisal. However, the following indicative terms and conditions for the Tranche 1 Committed of the New Loan are anticipated:
 - (a) Currency: EUR or RON equivalent
 - (b) Availability period: 4 years or up to 30 June 2023
 - (c) Maturity: up to 15 years with up to 4 years grace period. Semi-annual principal repayment dates to be aligned with the Existing Loan Agreement until its termination. Sculpted debt repayment
 - (d) Interest rate: in the range of 1.75% to 2.25% p.a. above six-month EURIBOR/ROBOR, with a potential 0.25% interest rate step-down tied to compliance with financial covenants. The final margin will depend on the Bank’s assessment of the overall project risk and market conditions at the time of signing.
 - (e) Front-end commission: 1.00% of the principal amount of the New Loan.
 - (f) Commitment Charge: (1) 0% per annum on the undisbursed amount of the New Loan for a period of 90 days from the date of the New Loan Agreement; (2) 0.15% per annum on any undisbursed amount of the New Loan for a period of 12 months starting thereafter; and (3) 0.50% per annum of any undisbursed amount of the New Loan over the period starting thereafter;
 - (g) Prepayment Fee: 3% of the amounts being prepaid if prepayment occurs within 5 years of the date of the New Loan Agreement; 2% of the amounts being prepaid if prepayment occurs

between the 5th and 6th anniversary of the New Loan Agreement; and 1% of the amounts being prepaid if prepayment occurs after the 6th anniversary of the New Loan Agreement;

- (h) Minimum prepayment amount: EUR 1.5 million;
 - (i) Debt Service Reserve Account to be funded by the Company with six month debt service due under the Existing Loan and the New Loan. The Bank may give consideration on an exception basis for the Company to utilise amounts from the Debt Service Reserve Account to comply with the payment obligations under the New Loan Agreement;
 - (j) Main financing agreements: expected to be New Loan Agreement; Restated Project Support Deed; Restated Debt Service Reserve Account Agreement;
 - (k) Main project agreements: EU Financing Agreement in relation to the Project; procurement agreements for the investments; Delegation Contract between the Company and Oltenia Intercommunity Development Association.
 - (l) Procurement rules: Procurement of contracts under a project to be co-financed with EU cohesion funds will be carried out in accordance with the national public procurement law and the provisions of any agreement between the European Commission and the beneficiary country. Other potential contracts will be procured in accordance with EBRD Procurement Policies and Rules.
2. The Bank confirms its willingness to co-operate with the other Parties hereto to advance the preparation of the contemplated financing, including by mobilising staff and external consultants, as long as the Project shall be supported by the Bank's management.
3. The New Loan will be developed under the Sustainable Water Infrastructure Facility to Support Transition ("**SWIFT**") Framework established by the Bank to support regionalised operators with the implementation of the EU LIOP in Romania. The SWIFT Framework was approved by the Bank's Board of Directors in 2018. As part of the SWIFT Framework the Bank seeks to mobilise technical cooperation grant funds ("**TC Funds**") subject to the approval of the Bank's management for the following purposes of project preparation and implementation:
- (a) Pre-signing: (i) Technical and Procurement Review of the proposed investments to complement, if needed, the EU assessment; (ii) Environmental and Social Gap Analysis to ensure the Company's continued compliance with the Bank's Environmental and Social Policy going forward; (iii) Operational and financial due diligence to review the Company's operations and update financial projections to reflect the new investments; (iv) Legal and institutional due diligence on regionalisation.
 - (b) Post-signing: Operational and Regulatory Support to prepare a corporate asset management plan; review options for cost-efficiency improvements; promote private sector involvement.
4. It is intended by the Parties that the Project is being structured so as to be suitable for co-financing between the Bank and the EU Cohesion Funds. The Bank also confirms its willingness to liaise closely with the Ministry of European Funds, and other relevant

institutions in Romania during the various stages of the approval process, as long as the Project is supported by the Bank's management and the Board of Directors.

5. The Company will be obliged to reimburse the Bank for the fees and expenses of the outside legal counsel retained by the Bank incurred in connection with the preparation of the Bank's financing and the preparation, drafting, translation, negotiation and review of the financing documentation and any other legal document related to the financing documentation (the "**Expenses**") The Expenses shall be reimbursed not later than within 30 days after the Bank provides the Company with documentation confirming that such Expenses have been incurred.
6. The contribution of the Company to the preparation of the Project shall include the following:
 - (a) The Company and its shareholders shall pay for their own internal costs relating to the preparation and appraisal of the Project and the Cohesion Fund application.
 - (b) The Municipality, the County and the Company shall co-operate with the Bank to approve the New Loan and amend the Project Support Deed, the Debt Service Account Agreement, and the Delegation Contract, in a manner fully satisfactory to the Bank for the purpose of the Project.
 - (c) The Company shall provide, without charge, to any consultants engaged to assist in matters relating to the Project or the operations of the Company all facilities and support necessary for the carrying out of their functions as well as all documents, materials and other information that may be relevant to their work.
7. The Preamble, and sections 1, 2, 3 and 4 of this Agreement reflect only the expectations and current intentions of the Parties in relation to the Project and do not impose or constitute any legally binding obligations on the Parties to provide, or to accept, financing, as the case may be. Any financing will be agreed between the Parties. In particular, it will be conditional on the findings of the Project appraisal and shall be subject to negotiation of an overall financing plan and Project arrangements satisfactory to the Bank, approval by the Bank's Management and Board of Directors, negotiation and execution of appropriate financing documentation and fulfilment of applicable conditions precedent. Except as otherwise provided in this Section 7, this Agreement provides for legally binding obligations of the Parties which will become immediately effective upon execution of this Agreement.
8. Any amendment to, or waiver by the Bank of any terms or conditions of, or consent given by the Bank under, this Agreement (including under this Section 8) shall be in writing, signed by the Bank and, in the case of an amendment, by the Municipality and the Company.
9. Any notice, application or other communication to be given or made under this Agreement to any Party to this Agreement shall be in writing. Except as otherwise provided in this

Agreement, such notice, application or communication shall be deemed to have been duly given or made when it is delivered by hand, airmail, telex or facsimile transmission to the party to which it is required or permitted to be given or made at such party's address herein firstly mentioned or at such other address as such party designates by notice to the party giving or making such notice, application or other communication.

10. This Agreement shall be governed by the laws of England. The New Loan Agreement to be executed between the Bank and the Company will be governed by the laws of England.
11. The Company shall not from the date of this Agreement until the date of signing of the New Loan Agreement or, in case of a syndication of the New Loan, the last relevant participation agreement for the New Loan (whichever is the latest) enter into any negotiations with any bank or financial institution for the purpose of raising any financing in the international debt market (excluding money-market lines), without the Bank's prior written consent.
12. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof or the Bank's involvement with the Project (if any), shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. There shall be one arbitrator and the appointing authority shall be LCIA (London Court of International Arbitration). The seat and place of arbitration shall be London, England and the English language shall be used. The parties waive any rights under the Arbitration Act 1996 or otherwise to appeal any arbitration award to, or to seek determination of a preliminary point of law by, the courts of England. Notwithstanding the UNCITRAL Arbitration Rules, the arbitral tribunal shall not be authorised to grant, and the Municipality and the Company agree that they shall not seek from any judicial authority, any interim measures or pre-award relief against the Bank. Notwithstanding the foregoing, this Agreement may, at the option of the Bank, be enforced by the Bank in any courts having jurisdiction.
13. Nothing in this Agreement shall be construed as a waiver, renunciation or other modification of any immunities, privileges or exemptions of the Bank accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law.
14. The Municipality, the County and the Company represent and warrant that this Agreement is a commercial rather than a public or governmental act and that the Municipality and the Company are not entitled to claim immunity from legal proceedings with respect to itself or any of their assets on the grounds of sovereignty or otherwise under any law or under any jurisdiction where an action may be brought for the enforcement of any of the obligations arising under or relating to this Agreement.
15. The Bank is sometimes the recipient of communications, including complaints, from civil society on environmental, safety, social, and other aspects of projects, both before Board approval and during project implementation. The Bank will share this external communication and its responses with the Municipality and the Company and any potential

and existing co-financers, insofar as any of this information is not covered by any confidentiality agreement, in order to ensure consistency in approach and messages to the public. The Bank encourages the Municipality and the Company and any co-financers to likewise share external communication, including complaints, and their responses with the Bank.

16. This Agreement is drafted in 8 (eight) counterparts, 4 in English and 4 in Romanian, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. The English version shall be the governing version.
17. The indicative terms and conditions of the financing to be provided by the Bank presented herein are valid until 31 December 2019.

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

For S.C COMPANIA DE APA OLTENIA S.A

Name:
Title:

For the MUNICIPALITY OF CRAIOVA

Name: Mihail Genoiu
Title: Public Manager

For the DOLJ COUNTY

Name:
Title:

For EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Name: Susan Goeransson
Title: Director, Municipal and Environmental Infrastructure

ECONOMIC-FINANCIAL DEPARTMENT

Name: Lucia Ștefan
Title: Executive Manager

INVESTMENTS, AQUISITIONS AND TENDERS DEPARTMENT

Name: Maria Nuță
Title: Executive Manager

PUBLIC SERVICES DEPARTMENT

Name: Delia Ciucă
Title: Executive Manager

PATRIMONY DEPARTMENT

Name: Ionuț Gâlea
Title: Executive Manager

LEGAL, SPECIAL ASSISTANCE AND ADMINISTRATIVE DISPUTES DEPARTMENT

Name: Ovidiu Mischianu
Title: Executive Manager