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LOAN NUMBER 2437-AZE

GUARANTEE AGREEMENT  
(Ordinary Operations)  
(Power Transmission Enhancement Project)

between

REPUBLIC OF AZERBAIJAN

and

ASIAN DEVELOPMENT BANK

DATED 06 December 2008

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GAL:AZE 42085

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**GUARANTEE AGREEMENT  
(Ordinary Operations)**

GUARANTEE AGREEMENT dated 06 December 2008 between the  
REPUBLIC OF AZERBAIJAN (hereinafter called the Guarantor) and ASIAN  
DEVELOPMENT BANK (hereinafter called ADB).

**WHEREAS**

(A) by a Loan Agreement of even date herewith between ADB and  
Azerenergy Open Joint-Stock Company (hereinafter called the Borrower), ADB has agreed  
to make to the Borrower from ADB's ordinary capital resources a loan of one hundred sixty  
million Dollars (\$160,000,000) on the terms and conditions set forth in the Loan Agreement,  
but only on condition that the Guarantor agrees to guarantee the obligations of the Borrower  
in respect of such loan as hereinafter in this Guarantee Agreement set forth; and

(B) the Guarantor, in consideration of ADB's entering into the Loan  
Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

Section 1.01. All the provisions of the Ordinary Operations Loan  
Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital  
Resources, dated 1 July 2001, subject to the modifications thereof set forth in the Loan  
Agreement (said Ordinary Operations Loan Regulations as so modified being hereinafter  
called the Loan Regulations) are hereby made applicable to this Guarantee Agreement with  
the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Guarantee Agreement, unless  
the context otherwise requires, the several terms defined in the Loan Agreement and in the  
Loan Regulations (as so defined) shall have the respective meanings therein set forth.

**ARTICLE II**

Section 2.01. Without limitation or restriction upon any of the other  
covenants on its part in this Guarantee Agreement contained, the Guarantor hereby  
unconditionally guarantees, as primary obligor and not as surety merely, the due and  
punctual payment of the principal of, and the interest and other charges on, the Loan, the  
premium, if any, on the prepayment of the Loan, and the punctual performance of all the  
covenants and agreements of the Borrower, all as set forth in the Loan Agreement.

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Section 2.02. The Guarantor covenants that whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, the Guarantor will make arrangements, satisfactory to ADB, promptly to provide the Borrower, or cause the Borrower to be provided, with such funds as are needed to meet such expenditures.

Section 2.03. The Guarantor shall not take any action, or permit any of its political subdivisions or agencies or any agency of any such political subdivisions to take any action, which would prevent or interfere with the successful carrying out of the Project or the successful operation of the Project facilities.

Section 2.04. (a) The Guarantor shall from time to time take such action as may be necessary or appropriate on its part to ensure prompt performance by the Borrower of its obligations under the Loan Agreement.

(b) The Guarantor shall perform all the obligations set forth in the Loan Agreement to the extent that they are applicable to the Guarantor.

Section 2.05. (a) It is the mutual intention of the Guarantor and ADB that no other external debt shall have any priority over the Loan by way of a lien on the assets of the Guarantor. To that end, the Guarantor undertakes (i) that, except as ADB may otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan; and (ii) that the Guarantor, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Guarantor" as used in paragraph (a) of this Section includes assets of any political subdivision or any agency of the Guarantor and assets of any agency of any such political subdivision, including the National Bank and any other institution performing the functions of a central bank for the Guarantor.

### ARTICLE III

Section 3.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 12.02 of the Loan Regulations.

Section 3.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Guarantor

Ministry of Finance  
S. Vurgun Street, 83  
370022 Baku  
Republic of Azerbaijan

Facsimile Number:

(994-12) 493 93 98  
(994-12) 493 05 62

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2428.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

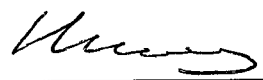
REPUBLIC OF AZERBAIJAN

By

  
SAMIR RAUF SHARIFOV  
Minister of Finance

ASIAN DEVELOPMENT BANK

By

  
FARAJ HUSEYNBEOV  
Team Head  
Azerbaijan Resident Mission