

CONFORMED COPY

LOAN NUMBER 3383 POL

(Heat Supply Restructuring and Conservation (Credit) Project)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 16, 1991

LOAN NUMBER 3383 POL

GUARANTEE AGREEMENT

AGREEMENT, dated September 16, 1991, between REPUBLIC OF POLAND (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the Wielkopolski Bank Kredytowy W Poznaniu (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project; and

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to twenty million dollars (\$20,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in the Loan Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, all as set forth in the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. (a) The Guarantor and the Bank shall, from time to time, at the request of either party, exchange views with regard to the Guarantor's district heat pricing policies and its plans in respect of the overall development of the district heating sub-sector.

(b) The Guarantor agrees, as long as it, or any of its political or administrative subdivisions, exercises control over the setting of prices of district heating enterprises, to establish prices for district heat sold by such enterprises which would allow such enterprises, under conditions of efficient operation at reasonable levels of capacity utilization, to cover their operating costs including taxes, earn an adequate return of funds invested in them, meet their financial obligations and make a reasonable contribution to future investment for expansion capacity.

(c) Without limitation on the provisions of paragraph (b) of this Section, if the prices for district heat sold by any Beneficiary are established at levels which would not allow such Beneficiary to produce revenues from all sources related to its operations sufficient to enable it to cover its debt service requirements in respect of its Sub-loan, the Guarantor shall make arrangements, satisfactory to the Bank, promptly to provide such Beneficiary or cause such Beneficiary to be provided with such funds as are needed to cover such debt service requirements.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Finance

00-916 Warszawa
ul. Swietokrzyska 12
Republic of Poland

Cable address:

MINF
Poland

Telex:

814386 PL

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

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

REPUBLIC OF POLAND

By /s/ S. Kawalec
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis
Acting Regional Vice President
Europe, Middle East and North Africa

