

LOAN NUMBER 3194 POL

Guarantee Agreement

(Transport Project - Railways)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 11, 1990

GUARANTEE AGREEMENT

AGREEMENT, dated June 11, 1990, between REPUBLIC OF POLAND (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the Polish State Railways (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 one hundred forty-five million dollars (\$145,000,000), 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 and to undertake such other obligations 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 and to undertake such other obligations;

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 last sentence of Section 3.02 deleted (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 the Preamble to and Section 1.02 of

the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

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, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, 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, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, 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, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Other Covenants

Section 3.01. (a) Except as the Bank shall otherwise agree, the Guarantor shall not contribute to, or participate in, any increase in the Borrower's equity unless the ratio of the Borrower's debt to equity shall be greater than 20 to 80 and then only to the extent that such contribution or participation shall not result in such ratio to be less than 20 to 80.

(b) For purposes of this Section:

- (i) the term, "debt", means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its term of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
- (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful

rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 3.02. (a) Except as the Bank shall otherwise agree, the Guarantor shall adjust the level of the Borrower's tariffs on January 1, 1991, and thereafter on the first day of each quarter of each fiscal year as shall be necessary to: (i) reflect, in accordance with a methodology acceptable to the Bank, (A) the increases in the Producer Price Index during the previous quarter, and (B) 50% of the estimated increase in said Index during the present quarter; and (ii) meet the requirements set forth in paragraph (a) of Section 5.03 of the Loan Agreement as indicated by the reviews to be carried out pursuant to paragraph (b) of said Section 5.03.

(b) Not later than 15 days before the beginning of each such quarter, the Guarantor shall calculate, on the basis of guidelines satisfactory to the Bank, the adjustments to the level of said tariffs to be made in order to meet the requirements set forth in paragraph (a) of this Section in respect of such quarter and thereafter take all necessary action to ensure that such requirements are met.

(c) For the purposes of this Section:

- (i) the term "Producer Price Index" means the producer price index for industrial goods published monthly by the Central Statistical Office of the Guarantor;
- (ii) the term, "estimated increase in the Producer Price Index", means the increase in said Index during the most recent period of three consecutive months for which said Index has been published.

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
00-901, Warszawa
ul. Swietokrzyska 12
Republic of Poland

Cable address: Telex

MINF 814386
Poland

For the Bank

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

Cable address	Telex:
INTBAFRAD	197688 (TRT)
Washington, D.C.	248423 (RCA)
	64145 (WUI)
	82987 (FTCC)

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

REPUBLIC OF POLAND

By /s/ F. Wieladok
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W.A. Wapenhans
Regional Vice President
European, Middle East and North Africa

