VR GLOBAL PARTNERS, L.P.

Private & Confidential
Without prejudice

February 28, 2019

Sevki Acuner
Chairman of the Supervisory Board
Public Joint Stock Company "Ukrainian Railway"

Yevgen Kravtsov
Chief Executive Officer
Public Joint Stock Company "Ukrainian Railway"

CC: Members of the Supervisory Board

RE: CREDIT FACILITY AGREEMENTS BETWEEN VR CAPITAL AND UKRAINIAN RAILWAYS

Dear Sirs,

As you are aware, VR Global Partners, L.P. (**"VR"**) recently purchased a portfolio of loans to Public Joint Stock Company "Ukrainian Railway" (**"UZ"** or the **"Company"**) for the total principal outstanding amount of US$ 153,250,000 from Prominvestbank. This acquisition, which closed on February 26, 2019, represents the only remaining unrestructured debt of UZ.

As you are also aware, VR played a critical and constructive role as the largest holder of the Company's Eurobonds and effective leader of its bondholder committee during the negotiations over the UZ bond restructuring in 2015-16. That exercise, in which all sides showed goodwill and compromise, stabilized UZ's liquidity position and averted a default under its internationally issued public debt instruments. We hope that now, with mutual goodwill and reciprocity, we can reach a compromise that will bring to a final conclusion the process of UZ's debt restructuring.

With that in mind, we would like to propose to you the below terms for a restructuring of the bilateral loans between VR and UZ. We believe our proposal is attractive as it would provide the following benefits towards UZ:

1. **Reduction in Debt Balance:** First, VR would be prepared to accept a waiver of all contractual penalties as well as a substantial write-off on the principal amount of its legal claim against UZ. This write-off will result in over US$110,000,000 of savings to the Company which it would be able to spend on its vitally important fleet modernization program, helping to ensure the sustainable future of Ukrainian railway

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network. We note that we are offering this write-off notwithstanding the fact that, with current leverage of approximately 1.6x, there is no economic need for UZ to require a haircut on its debt balances.

2. **Reduction in Interest Rate:** In addition to reducing the amount of debt outstanding, our proposal would result in a lowered interest rate on the restructured debt.
3. **Preservation of Liquidity:** Importantly, the structure of our proposal does not require UZ to allocate any immediate liquidity resources to a settlement, as we are offering to convert the bilateral loans into a longer term instrument by tapping the currently outstanding Eurobonds issued by the Company.
4. **Regularizing Relationships with Debt Capital Markets and Ratings Agencies:** With the change of lender to VR, an amicable settlement of the numerous legal disputes initiated by the prior lender, Prominvestbank, against UZ can be achieved, allowing the Company to conclusively bring to an end its period of default. In addition to freeing up corporate resources to be redeployed to more productive purposes, this will allow UZ to fully re-establish itself as a reliable borrower. We see this as particularly important in paving the way for a successful return to the international debt capital markets in the near future. Importantly, VR would seek to work constructively with UZ to address the concerns highlighted by S&P Global Ratings in its April 25, 2018 report where S&P suggested that it might view a restructuring with a haircut as "a distressed exchange". We believe that, together, we could present this restructuring as a credit positive event to the rating agencies.

The main details of our proposal are below:

- Full write-off of all penalties and fines, which as of February 26, 2019 amounted to US$76,166,472;
- Write-off of 22% of the outstanding principal amount of loans or US$33,715,000;
- Capitalization of interest accrued at contractual rates until the restructuring date (as of February 26, 2019 these amounted to US$26,391,444);
- Conversion of the remainder of the debt (which would amount to US$145,926,444 had the restructuring been completed on February 26, 2019) into the currently outstanding Eurobonds issued by UZ on a par-for-par basis; and
- Transaction closing date on or before April 30, 2019.

The above proposal is subject to negotiation of the final documentation to implement the proposed restructuring, which we believe could be achieved swiftly. Please also note that the rights of VR under, or in connection with, the exiting loan agreements referred to above are hereby reserved in full.

Since the Revolution of Dignity, VR has been one of the largest international investors in Ukraine and has played a significant part in providing stability to Ukrainian public securities in volatile financial markets. Acting as leaders in multiple restructurings of the largest quasisovereign and corporate issuers from Ukraine, we believe we have earned the reputation of being a constructive and fair partner in difficult times.

Furthermore, as an American fund manager managing funds primarily on behalf of U.S.-based endowments, foundations, family offices and individuals, I believe VR has been a leader in promoting the story of the new Ukraine among the U.S. financial community. We would view amicably restructuring the outstanding UZ defaulted loans as another positive step along this course.

I look forward to your reply.

Sincerely yours,

Richard Deitz
President