



Private and Confidential  
Without Prejudice

18 July 2019

To: Joint Stock Company “Ukrainian Railways”

Dear Sirs,

We, VR Global Partners, L.P. (“**we**” or “**VRGP**”), are writing further to our letter dated 28 February 2019 (the “**February Letter**”), our letter dated 29 May 2019 (the “**May Letter**”) and the various discussions held over the last several months.

As you are aware, we acquired from Public Joint Stock Company “Joint-Stock Commercial Industrial & Investment Bank” (the “**Original Lender**”) a portfolio of loans (together, the “**Loans**”) extended by the Original Lender pursuant to certain loan agreements (together, the “**Loan Agreements**”) entered into with State Association “South-Western Railway” and State Enterprise “Southern Railway”, of which Joint Stock Company “Ukraine Railways” (the “**Borrower**”) is a universal legal successor pursuant to the applicable provisions of Ukrainian law.

In the February Letter and the May Letter we proposed that the Loans be restructured on the terms set out in those letters. A brief summary of the key terms is set out below:

- full write-off of all penalties and fines (which as of 26 February 2019 amounted to U.S.\$76,166,472);
- write-off of 22% of the outstanding principal amount of the Loans (amounting to US\$33,715,000);
- capitalisation of interest at the contractual rates accrued until the restructuring date;
- conversion of the Loans into a new loan (the “**New Loan**”) repayable in equal quarterly instalments over the next five years with an interest rate of 9.875% payable in cash on a quarterly basis; and

- an option exercisable after 26 February 2020 to convert the New Loan into the U.S.\$500,000,000 8.250 per cent. Loan Participation Notes due 9 July 2024 (the “**Existing Notes**”) issued by Rail Capital Markets Plc (the “**Issuer**”) earlier this month.

The purpose of this letter is to briefly outline the proposed legal structure for implementation of the restructuring of the Loans.

### **Restructuring of the Loans**

Below is an outline of the key legal steps for implementation of the proposed restructuring of the Loans:

- (i) the Borrower and VRGP will enter into a restructuring agreement (the “**Restructuring Agreement**”), which shall provide (among other things) that on the effective date of the restructuring the Borrower shall be fully released from its obligations under the Loan Agreements and the Loan Agreements shall be replaced in full with a new loan agreement included in a schedule to the Restructuring Agreement (the “**New Loan Agreement**”);
- (ii) the Restructuring Agreement and the New Loan Agreement shall be governed by English law;
- (iii) the Original Lender will enter into a deed of release pursuant to which it will release the Borrower from any obligations that the Borrower may have towards the Original Lender with respect to the Loans (should there be any challenge to the sale transaction entered into between the Original Lender and VRGP);
- (iv) the Borrower, the Original Lender (in its capacity as the servicing bank) and VRGP will work together to change the servicing bank under the Loans from the Original Lender to a new bank (which shall be agreed between the Borrower and VRGP and is expected to be the servicing bank of the loan underlying the Existing Notes) and record this change in the automated information system of the National Bank of Ukraine “Loan Agreements with Non-Residents” (the “**NBU Information System**”); and
- (v) the discharge of the Loans and the constitution of the New Loan will be registered in the NBU Information System by the servicing bank.

### **Option to Convert**

As described above and in the May Letter, it is proposed that the New Loan Agreement provides for an option to exchange the New Loans for notes (the “**Additional Notes**”) that would form single series and be consolidated with the Existing Notes issued by the Issuer. Condition 14 of the Existing Notes expressly permits the Issuer and the Borrower to issue additional notes under the

trust deed constituting the Existing Notes (the “**Trust Deed**”). In addition, in connection with such issuance, the Borrower, the Issuer and the trustee under the Trust Deed (the “**Trustee**”) are authorised to supplement the loan agreement entered into between the Borrower and the Issuer (the “**LPN Loan Agreement**”) and the Trust Deed in order to give effect to issuance of the Additional Notes.

Below is an outline of the key legal steps for implementation of the conversion mechanism:

- (i) the Borrower, the Issuer and VRGP will enter a deed of exchange (a form of which shall be set out in a schedule to the Restructuring Agreement) pursuant to which (i) VRGP will assign the Loan to the Issuer, (ii) the Issuer will release the Borrower from all its obligations under the Loan in consideration of the Borrower assuming additional liability under the LPN Loan Agreement that will be equal to the principal amount of the Additional Notes to be issued, and (iii) the Issuer will issue the relevant principal amount of the Additional Notes to VRGP;
- (ii) in order to give effect to the issuance of the Additional Notes, (i) the Trustee and the Issuer will enter into a supplement to the Trust Deed, (ii) the Issuer and the Borrower will enter into a supplement to the LPN Loan Agreement, and (iii) the Issuer and the Borrower will prepare an updated prospectus/supplemental prospectus in order to allow the listing of the Additional Notes on the Irish Stock Exchange so as to ensure that the Additional Notes are fully fungible with the Existing Notes; and
- (iii) on the effective date of the exchange, the servicing bank will register the Issuer as a lender of record with respect to the New Loan in the NBU Information System and on the same date the servicing bank will register the cancellation of the New Loan Agreement and amendment of the LPN Loan Agreement on the basis of a supplement to the LPN Loan Agreement (in order to increase the principal amount outstanding under the LPN Loan Agreement).

The proposed conversion structure is also illustrated by the charts included in Schedule 1 to this letter.

We are at your disposal should you wish to discuss the proposed legal structure further.

Please note that implementation of the restructuring described in this letter is subject to finalisation, and entry into, the relevant legal documentation. Nothing in this letter constitutes a waiver or alteration of any rights we may have under, or with respect to, the Loan Agreements or otherwise. Our rights are hereby reserved in full.

Yours sincerely,

**VR Global Partners, L.P.**

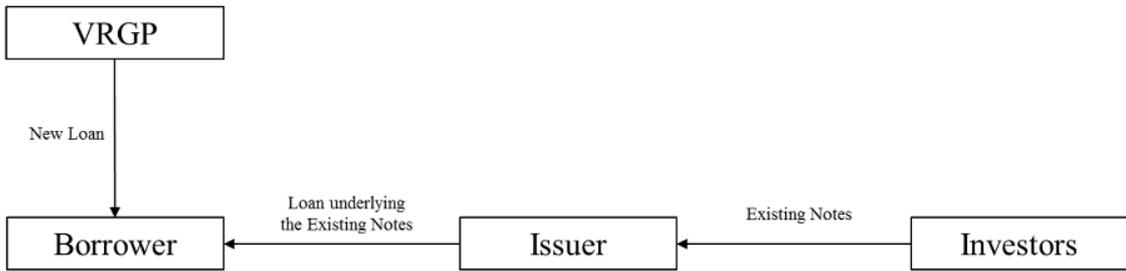


By: \_\_\_\_\_  
Name: Emile du Toit  
Title: Authorised signatory

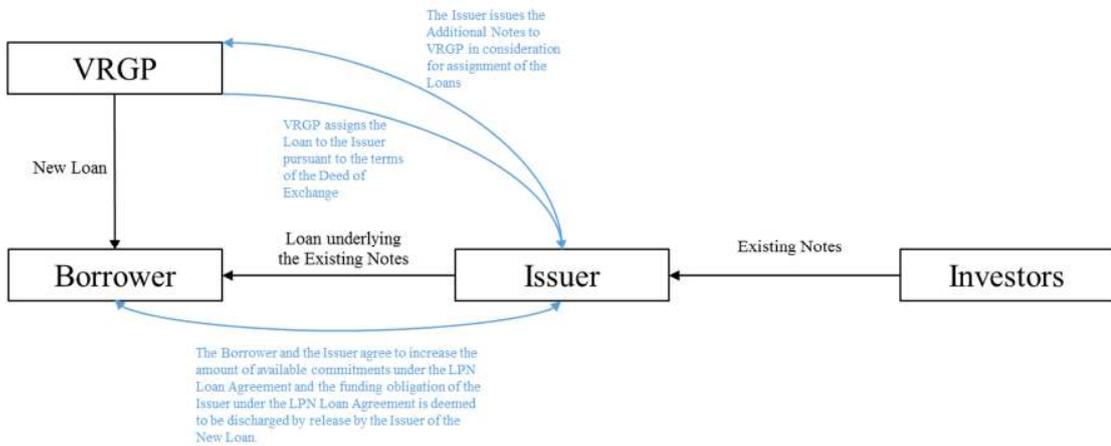
**Schedule 1**

**Graphic Illustration of the Proposed Conversion Mechanism**

(i) Initial position before the conversion:



(ii) Implementation of the conversion:



(ii) Final position after conversion:

