



VR GLOBAL PARTNERS, L.P.

Private & Confidential
Without prejudice

09 September 2020

To: Mr Volodymyr Zhmak
Chairman of the Management Board
Public Joint Stock Company "Ukrainian Railways"

Cc: Members of the Supervisory Board

RE: CREDIT FACILITY AGREEMENTS BETWEEN VR CAPITAL AND UKRAINIAN RAILWAYS

Dear Mr Zhmak,

First of all, I would like to congratulate you on your recent appointment as the Chairman of the Management Board of Public Joint Stock Company "Ukrainian Railway" ("UZ" or the "Company"). I trust that under your leadership, UZ will successfully tackle the challenges ahead of it and contribute to the stability and development of Ukraine.

I would like to draw your attention to the issue of UZ's ongoing default under a portfolio of loans (the "Loans") originally extended by Public Stock Company "Joint-Stock Commercial Industrial & Investment Bank" ("Prominvestbank"). In February 2019, VR Global Partners, L.P. ("VR") acquired the Loans, together with all outstanding legal claims, from Prominvestbank in an auction. The transfer of the Loans to VR was also duly registered with the National Bank of Ukraine.

VR acquired the loans with the intention of reaching a mutually acceptable solution to UZ's default in order to resolve all outstanding litigation with respect to the Loans and allow UZ to complete its emergence from debt default. Indeed, prior to acquiring the Loans, VR consulted with members of the management and supervisory boards of the Company to ensure that our efforts would be seen as a constructive step. Having previously led the creditor committee in the successful restructuring of UZ's outstanding Eurobond, we valued the opportunity to once again play a role in helping the Company to fully normalize its relationship with financial markets and lending institutions.

Following the acquisition of the Loans, VR, in the spirit of compromise and good faith, proposed a solution to UZ that would have resulted in a substantial decrease of UZ's outstanding liabilities and material cash flow relief. We also delayed certain pending court hearings at the request of UZ management in order to focus on settlement.

Unfortunately, we did not encounter a similar level of constructive engagement from UZ management. We received a number of technical concerns from the Company, all of which were

addressed. Over time, however, it became clear to us that UZ management had disengaged from the process and was seeking simply to delay any resolution.

As a result, VR returned its focus to the prosecution of its legal claims where we have now significantly advanced the legal case against UZ in Ukrainian courts, including, in particular, by defeating arguments by UZ that post-maturity interest payments could be deducted against principal outstanding. As you would understand, we are determined to proceed with the recovery of the Loans via legal means if there is no constructive engagement by UZ to resolve the dispute amicably. This will undoubtedly result in incurrence by UZ and Ukraine (as UZ's sole shareholder) of additional losses, as we would pursue the collection of the full amount of the claim.

At the present time, the outstanding amount of principal and interest on the Loans is \$205 million and contractual penalties amount to \$110 million. Interest accrues at \$1.4 million per month and penalties at a further \$1.5 million per month. We strongly believe that a rapid resolution of the debt claims would be in the best interests of UZ. Indeed, the Company has suffered by not accepting earlier compromises we offered which would have not only avoided large subsequent accruals, but have provided a haircut to debt amounts.

From our side, we remain ready to enter into good-faith dialogue with UZ to achieve a consensual restructuring of the Loans. While our prior offers have been superseded by developments in the legal case and further accrual of the claim, we are prepared to engage actively in a dialogue to find an appropriate resolution that would be advantageous for both sides. I would like to emphasize the long-term nature of VR's engagement in Ukraine and our desire to be a partner in supporting the success both of UZ and the country.

We would happy to have a call with you and other members of the Company's management to discuss further at your convenience.

Sincerely yours,



Richard Deitz

President and Founder