H.E. Natalie Jaresko  
Minister,  
Ministry of Finance  
12/2, Hrushevskyi Street  
Kyiv, 01008 Ukraine

Mr. Igor Syrota  
Chairman of the Board  
PJSC “Ukrhydroenergo”  
Kyiv oblast, 07300, Ukraine

Your Excellency,

Re: Ukraine– Hydropower Rehabilitation Project  
(Loan No. 4795-UA and Loan No. 7791-UA)  
MFE Monitoring and Evaluation Indicators

We refer to the following documents, both dated September 19, 2005 for the above captioned Loan No. 4795-UA: (i) the Loan Agreement, as amended, between Ukraine (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”); and (ii) the Project Agreement between the Bank and Ukrhydroenergo (the “UHE”). We also refer to the following documents, both dated February 3, 2010 for the above captioned Loan No. 7791-UA: (i) the Loan Agreement, as amended, between the Borrower and the Bank; and (ii) the Project Agreement between the Bank and the UHE. Finally, we refer to: (i) your letter dated August 20, 2015, requesting the Bank to modify some of the MFE Monitoring and Evaluation Indicators; and (ii) UHE’s letter dated September 9, 2015 requesting the Bank to replace the current ratio covenant with the self-financing ratio covenant and UHE’s letters dated July 8, 2015 and September 15, 2015 requesting the Bank to modify some of the UHE Monitoring and Evaluation Indicators.

By amendment letter of even date the UHE Monitoring and Evaluations Indicators to be utilized by UHE pursuant to the provisions of paragraph (c) of Section 1.01 of the Project Agreement (Loan No. 4795); and Section II.A.1 of the Schedule to the Project Agreement (Loan No. 7791-UA), to measure the progress in implementation of the Project and the degree to which the objectives thereof are being achieved are amended. In addition, Section 4.04 of the Project Agreement for Loan No. 4795-UA and Section III.2. of the Project Agreement for Loan No. 7791-UA are amended to include a self-financing ratio covenant.
Accordingly, we refer to the letters from the Ministry of Finance to the Bank, each of which attach the MFE Monitoring and Evaluation Indicators to be utilized by the Borrower pursuant to the following provisions to measure the progress in the implementation of Parts D and E of the Project and the degree to which the objectives thereof are being achieved: (a) The Supplemental Letter No. 2 dated September 19, 2005, as amended, for Loan 4795-UA attaching the indicators to be utilized by the Borrower pursuant to the provisions of paragraph (j) of Section 1.02 of the Loan Agreement for said Loan; and (b) the Supplemental Letter No. 2 dated February 3, 2010, as amended, for Loan No. 7791 attaching the indicators to be utilized by the Borrower pursuant to the provisions of paragraph 1 of Section II.A. of Schedule 2 to the Loan Agreement for said Loan. The indicators attached to said letters are hereby replaced with the indicators set forth in the Annex to this amendment letter.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Qimiao Fan
Country Director
Belarus, Moldova and Ukraine
Europe and Central Asia

CONFIRMED AND AGREED:

UKRAINE

By: Artem Shevalov
Title: Deputy Minister of finance of Ukraine for European integration
Date: _______________
**Attachment**

**Re: Ukraine– Hydropower Rehabilitation Project**  
(Loan No. 4795-UA and Loan No. 7791-UA)  
Results Framework and Monitoring

**Update of indicators for Supplemental Letter Number 2**

<table>
<thead>
<tr>
<th>Outcome Indicators</th>
<th>Core</th>
<th>D-Dropped</th>
<th>C-Continue</th>
<th>N-New</th>
<th>Re-Revised</th>
<th>Baseline</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>A conceptual plan for technical and legal harmonization with EU energy market</td>
<td>□</td>
<td>C</td>
<td>No</td>
<td>yes</td>
<td>yes</td>
<td>updating</td>
<td>Annual</td>
<td>Reports by MECI</td>
<td>MECI</td>
</tr>
<tr>
<td>New market rules and review of primary legislation</td>
<td>□</td>
<td>C</td>
<td>Not established</td>
<td>no</td>
<td>Adoption of the Law on Wholesale Electricity Market</td>
<td>Development of Market rules, regulatory and legal framework of new energy market model</td>
<td>Approval of Electricity Networks Code</td>
<td>Approval of Market Rules and development of normative base for new model of power market</td>
<td>Annual</td>
</tr>
</tbody>
</table>

**Results Indicators for Component D and E:**

| Component D: Policies in the energy sector in accordance with EU directives | □    | C         | no         | According to the protocol | According to the protocol | According to the protocol | According to the protocol | The Protocol for implementation of EU Directives is updated and effective | Quarterly | Project progress reports from MECI | MECI |
| Component E: Restructuring of the energy market based on the Wholesale Electricity Market concept | □    | C         | Single buyer | yes         | yes         | yes         | yes         | Restructuring of the energy market is proceeding based on the Law “On Operational Principles of Ukraine’s Power Market” | Quarterly | Project progress reports | NERC |