Re: Ukraine—Hydropower Rehabilitation Project
(Loan No. 4795-UA and Loan No. 7791-UA)
Amendments to Project Agreements and
UHE 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 September 9, 2015 requesting the Bank to replace the current ratio covenant with the self-financing ratio covenant; and (ii) your letters dated July 8, 2015 and September 15, 2015 requesting the Bank to modify some of the UHE Monitoring and Evaluation Indicators.

After due consideration, I am pleased to inform you that the Bank concurs with your request and hereby amends the Project Agreements as follows:

1. 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 shall be replaced in their entirety to read as follows:

   “(a) Except as the Bank shall otherwise agree, UHE shall: (a) maintain a ratio of current assets to current liabilities of no less than 1.2 until Fiscal Year 2014; and (b) produce, for the Fiscal Year 2015 and 2016, funds from internal sources equivalent to not less than 15% of the annual average of the Project Implementing Entity’s capital expenditures incurred, or expected to be incurred, for that year (self-financing ratio).

   (b) Before March 31 in each of its Fiscal Years, UHE shall, on the basis of forecasts prepared by UHE and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such
year and the next following Fiscal Year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that UHE would not meet the requirements set forth in paragraph (a) for UHE’s Fiscal Years covered by such review, UHE shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs in order to meet such requirements).

(d) For the purposes of this Section:

(i) The term “current assets” means cash, all assets which could in the ordinary course of business be converted into cash within twelve (12) months, including account receivable, marketable securities and pre-paid expenses properly chargeable to operating expenses within the next Fiscal Year.

(ii) The term “current liabilities” means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) The term “funds from internal sources” means the difference between:

(I) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(II) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(v) The term “net non-operating income” means the difference between:

(i) revenues from all sources other than those related to operations; and

(ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above.
(vi) The term “working capital other than cash” means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

(vii) The term “current assets excluding cash” means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(viii) The term “capital expenditures” means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

(ix) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, 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.”

Except as amended hereby, all other provisions of the Project Agreement shall remain in full force and effect.

In addition, I am pleased to agree to the request to modify some of the UHE Monitoring and Evaluation Indicators. Accordingly, we refer to the following letters from UHE to the Bank, each of which attach the UHE Monitoring and Evaluation Indicators to be utilized by UHE pursuant to the following provisions to measure the progress implementation of Parts A, B and C of the captioned Project and the degree to which the objective thereof are being achieved: (a) the Supplemental Letter No. 4 dated September 19, 2005, for Loan No. 4795-UA, as amended, attaching indicators to be utilized by UHE pursuant to the provisions of paragraph (c) of Section 1.01 of the Project Agreement for said Loan; and (b) the Supplemental Letter No. 2 dated February 3, 2010, as amended, for Loan No. 7791-UA attaching the indicators to be utilized by UHE pursuant to the provisions of Section II.A.1 of the Schedule to the Project Agreement for said Loan. The indicators attached to said letters are hereby replaced with the indicators set forth in the attachment to this amendment letter.
Please confirm the agreement of the UHE to the amendments set forth above by countersigning and dating both copies of this amendment letter and returning one of the countersigned copies to us. This amendment letter shall be effective as of the date of said countersignature.

Sincerely,

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

AGREED:
UKRHYDROENERGO

By: Ihor Symota
Title: Director General
Date: 29.10.2015
### Attachment

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

*Attachment Supplemental Letter Number 2 and 4 of Project Agreement (for respective loans)*

<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>D-Dropped</th>
<th>C-Continue</th>
<th>N-New</th>
<th>R-Revision</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 70 units in UHE are refurbished:</td>
<td>R</td>
<td>21</td>
<td>55*</td>
<td>58</td>
<td>62</td>
<td>65</td>
<td>67</td>
<td>Annual</td>
<td>UHE</td>
<td>UHE and TSO</td>
</tr>
<tr>
<td>UHE provides ancillary services required for the power balancing mechanism**:</td>
<td>R</td>
<td>no</td>
<td>no</td>
<td>Coming into force of Law of Ukraine on Basic Principles of Electricity Market Functioning in Ukraine dd. Nov. 24, 2013, No 663</td>
<td>Trial operation</td>
<td>Trial operation</td>
<td>UHE provides ancillary services under trial operation of the balancing mechanism</td>
<td>Annual</td>
<td>Reports by MFE, NERC and TSO</td>
<td>MFE, NERC, TSO, Market Operator</td>
</tr>
</tbody>
</table>

**Intermediate Result Indicator (Component A): Hydropower Rehabilitation component**

**Increase in hydropower capacity (installed):**

<table>
<thead>
<tr>
<th>Core</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>Annual</td>
<td>Project progress reports</td>
<td>UHE, NERC, TSO, Market Operator</td>
</tr>
</tbody>
</table>

**Intermediate Result (Component B): Dam safety monitoring system**

<table>
<thead>
<tr>
<th>Dam safety monitoring system implemented:</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>Annual</td>
<td>Project progress reports</td>
<td>UHE</td>
</tr>
</tbody>
</table>

**Intermediate Result (Component C): Management Information System**
<table>
<thead>
<tr>
<th>Management Information System (MIS):</th>
<th></th>
<th>R</th>
<th>Not established</th>
<th>Bidding for MIS</th>
<th>Performance of MIS Contract</th>
<th>Development of MIS architecture and design</th>
<th>Commencement of implementation: hardware and software installation in UHE</th>
<th>MIS completion, MIS in use in UHE</th>
<th>Annual</th>
<th>Project progress reports</th>
<th>U</th>
</tr>
</thead>
</table>

* This scope also includes 2 h/u (No.8 at Kyiv HPP and No.4 at Kakhovka HPP) commissioned at the end of 2005 with total additional capacity of 9.3 MW.

** UHE provides these services to the power system as a part of its principal activities without being paid. The ancillary services market will be launched in 2017 according to the Law of Ukraine No.663 dd. 24.10.2013 “On the Basic Principles of Electricity Market Functioning in Ukraine”.