

**Explanatory Note
concerning approval of transactions entered into
by and between PJSC LSR Group and credit organizations**

I. In connection with entering into the Bank Guarantee Agreement of 10/03/2016 (the “Guarantee Agreement”) and Additional Agreement No. 1 thereto of 11/01/2016 by and between PJSC LSR-Stroy and PJSC Sberbank for the amount of RUB 3,283,026,824.36, it is necessary to approve the Contract of Guarantee of 10/03/2016 and Additional Agreement No. 1 to the Contract of Guarantee of 11/01/2016, entered into by and between PJSC LSR Group and PJSC Sberbank as security for fulfillment of all obligations under the Guarantee Agreement.

The Guarantee Agreement is entered into in order to provide the Performance Guarantee as well as the Advance Payment Guarantee under the Contracting Agreement entered into with Limited Liability Company Transport Concession Company (LLC TCC) in relation to construction of tramway system in the Krasnogvardeysky District of Saint Petersburg.

The Bank Guarantee is valid until 11/10/2018.
Bank commission is 1.8 % per year.

II. In connection with entering into the Agreement for Opening Non-Revolving Credit Line (the “Credit Line”) of 3/13/2017 by and between LLC LSR. Wall and PJSC Sberbank with a limit in the amount of RUB 987,000,000.00, it is necessary to approve entering into the following transactions as security for fulfillment of the obligations under the Credit Line:

- the Contract of Guarantee of 3/13/2017 entered into by and between PJSC LSR Group and PJSC Sberbank;
- Agreement for Subsequent Pledge of Participatory Share of LLC LSR. Wall of 4/20/2017 entered into by and between PJSC LSR Group and PJSC Sberbank.

The Agreement for Opening Non-Revolving Credit Line is entered into in order to refinance incurred expenses associated with acquisition of real and personal property due to moving Aeroc plant to the aerated concrete production site located in Sertolovo, Leningrad Region. The plant is moved in the context of the planned withdrawal of industrial enterprises from the center of Saint Petersburg to the nearest suburbs.

Final payment date of the Credit Line is 3/12/2023.
Interest rate is 11.0 % per year.

[For information:

100 % share of LLC LSR. Wall is in pledge of PJSC Sberbank as security for the fulfillment of the obligations of LLC LSR. Wall under the Credit Agreements previously entered into with the maturity date in July 2021.

III. In connection with entering into 4 Credit Agreements of 2/27/2017 by and between JSC LSR. Real Estate-M and JSC Russian Agricultural Bank for the total amount of RUB 1,900,000,000.00, it is necessary to approve entering into 4 Contracts of Guarantee of 2/27/2017 entered into by and between PJSC LSR Group and JSC Russian Agricultural Bank.

Credit funds are raised in order to cover the current deficit within financing of the investment phase of new construction projects.

The final credit payment period is not more than 24 months.
Interest rate is not more than 15.0 % per year.