

**Explanatory note
to the item on approval of transactions to be entered into
between OJSC LSR Group and OJSC Sberbank Russia**

- I. In connection with amendments to the Non-Revolving Line of Credit Facility Agreement No.0162-101511-RKL-4 dated 5th August 2011 (hereinafter – the Loan Agreement) entered into between LLC LSR Stenovye-SZ and OJSC Sberbank Russia in the amount of 1,049,602,539. 00RUB it is necessary to approve the entering into of supplementary agreements to the credit and security documentation of OJSC LSR Group. This Loan Agreement was issued to finance the purchase of new production equipment (including in terms of forming coverage under import letters of credit) within the cost of implementing the construction of the new brickworks of LLC LSR Stenovye-SZ in Nikolskoye, Leningrad region.

The following amendments shall be made in the credit and security documentation:

1. The Loan Agreement was issued under a scheme of post-import financing, in which it is necessary to make changes in terms of repayment schedules of separate tranches of the loan in accordance with the schedule of debiting the funds from the coverage account under letters of credit. It is necessary to make changes to the contracts of guarantee relating to the repayment schedules of the 3rd and 4th tranches under the Loan Agreement to bring them into compliance with the schedule of post-import financing.
 2. A 100% share of LLC LSR Stenovye-SZ shall be pledged to OJSC Sberbank Russia to secure the obligations of LLC LSR Stenovye-SZ under the Loan Agreement with OJSC Sberbank Russia. In the share Pledge Agreement it is necessary to make changes in terms of the par value of the 100% share of LLC LSR Stenovye-SZ as a result of the reorganisation of LLC LSR Stenovye-SZ in the form of the merger therewith of LLC Aerok SPb and LLC Gazstroy.
- II. In connection with amendments to:
- Non-Revolving Line of Credit Facility Agreement No.0162-2-106312 dated 02.08.2012 (with free sampling mode) in the amount of 166,548,268.74 RUB entered into between CJSC Industrial Leasing and OJSC Sberbank Russia,
 - Non-Revolving Line of Credit Facility Agreement No.0162-2-113712 dated 08.10.2012 (with free sampling mode) in the amount of 144,434,325.60 RUB entered into between CJSC Industrial Leasing and OJSC Sberbank Russia,
- (hereinafter – the Loan Agreements)

it is necessary to approve the entering into of supplementary agreements to the Contracts of Guarantee of OJSC LSR Group issued to secure the above Loan Agreements, which were entered into for the purpose of payment of supply contracts for equipment entered into with foreign suppliers for the modernisation of the production capacity of Concrete Products Plant No.3 under a scheme of post-import financing.

Reference:

Based on the Loan Agreements, OJSC Sberbank Russia (hereinafter – the Bank) opened irrevocable documentary letters of credit with LLC LSR Stenovye-SZ and CJSC Industrial Leasing (hereinafter – the Borrowers). Foreign banks in the location of the equipment suppliers shall act as nominated banks for the Letters of Credit. Coverage under the Letters of Credit was issued at the expense of credit funds provided by the Bank.

In order to minimise the interest costs of the Borrowers, the terms of a post-import scheme of financing provided synchronisation of repayment schedules by the Borrowers of the principal to the Bank with schedules transferring the coverage under Letters of Credit to Foreign Banks.

The schedule for transferring the funds to the Foreign Bank from the coverage account shall depend on the date of the last payment to the supplier under the Letter of Credit. At the time when this date becomes known, the relevant schedules shall be synchronised. To do this, supplementary agreements to the Loan Agreements shall be issued, as well as security documentation thereunder.