

Justification of Conditions and Procedures of Reorganization of Public Joint-Stock Company “MegaFon” in the Form of Merger with Joint-Stock Company “Mobicom Volga” and Joint-Stock Company “Yaroslavl-GSM”

The need to reorganize MegaFon PJSC in the form of its merger with Joint-Stock Company “Mobicom Volga” (Mobicom Volga JSC) and Joint-Stock Company “Yaroslavl-GSM” (Yaroslavl-GSM JSC) is caused by the plans to win the competitive advantage for MegaFon PJSC in the data market both at the territory of Volgograd, Samara, Astrakhan, Yaroslavl regions and Chuvash Republics as well as throughout Russia.

Merger with Mobicom Volga JSC and Yaroslavl-GSM JSC shall allow MegaFon PJSC to reduce network maintenance expenses due to rejection of obsolete equipment and improve efficiency of radio spectrum usage in the range of 90/1800, which in the future will generate incremental revenue from data services.

Currently One Hundred percent shares of Mobicom Volga JSC and Yaroslavl-GSM JSC are owned by MegaFon PJSC.

As a result of the merger shares of Mobicom Volga JSC and Yaroslavl-GSM JSC shall be cancelled and shall not be subject to conversion to MegaFon’s shares.

The Merger of Mobicom Volga JSC and Yaroslavl-GSM JSC into MegaFon PJSC shall be executed based on the Merger Agreement that sets forth conditions of the merger according to the legislation of the Russian Federation.

As provided by the law, the following steps are expected to be made in order to proceed with the Merger of Mobicom Volga JSC and Yaroslavl-GSM JSC to PJSC “MegaFon”:

- Within 3 (Three) Business days following the decision on the reorganization, MegaFon PJSC shall inform the registration agency of the reorganization procedure in writing, including notification on a form of reorganization, with the decision on the reorganization attached.
- After the date of the record on the start of the reorganization, the Parent Company shall publish a notice on reorganization twice a month in the printed media that is intended for publishing data on state registration of legal entities.
- Subject to respective requests from the shareholders of MegaFon PJSC who voted against the reorganization in the form of merger or did not participate in voting on that issue, the redemption of shares of MegaFon PJSC (upon the decision of the Extraordinary General Shareholders Meeting of MegaFon PJSC on the reorganization pursuant to the effective legislation) shall be carried out according to the procedure and at the redemption price set forth by the Board of Directors of MegaFon PJSC based on the price determined by an independent appraiser.
- The shares in Mobicom Volga JSC and Yaroslavl-GSM JSC owned by MegaFon PJSC shall be cancelled on the Date of Record to the Unified State Register of Legal Entities on termination of business activities of Mobicom Volga JSC and Yaroslavl-GSM JSC and shall not be subject to any conversion.

- MegaFon PJSC shall be considered reorganized from the Date of Record to the Uniform State Register of Legal Entities on termination of business activities of Mobicom Volga JSC and Yaroslavl-GSM JSC (hereinafter the Reorganization Date). From the Reorganization Date the company Mobicom Volga JSC and Yaroslavl-GSM JSC shall be deemed ceased.
- From the Reorganization Date, objects of civil rights owned by Mobicom Volga JSC and Yaroslavl-GSM JSC (assets, liabilities), including resolutions on provision of radio spectrum, permissions for use of radio frequencies, numbering resources and licenses shall be transferred to MegaFon PJSC at their book value under the universal legal succession according to the Transfer Certificate of Mobicom Volga JSC and Yaroslavl-GSM JSC. MegaFon PJSC shall obtain rights and liabilities of Mobicom Volga JSC and Yaroslavl-GSM JSC, unless such rights and liabilities are terminated to the extent that the debtor and the creditor are the same party according to the effective Russian law. Liabilities of Mobicom Volga JSC and Yaroslavl-GSM JSC shall be transferred to MegaFon PJSC under the universal legal succession.
- Within 30 (Thirty) days from the Reorganization Date MegaFon PJSC shall send to the Bank of Russia a notice on the change of information related to the issuer.