

Justification of Conditions and Procedures of Reorganization of Public Joint-Stock Company “MegaFon” in the form of Spin-Off of Joint-Stock Company “First Tower Company”

Joint-Stock Company “First Tower Company” (FTC JSC) shall be created with the view to improve efficiency of tower infrastructure management. Following spin-off from MegaFon PJSC (the Company), FTC JSC shall become the competence center for tower infrastructure management, which will provide for faster organizational decision-making, efficient network development and better communication quality for customers.

Tower infrastructure spin-off into independent company (FTC JSC) shall allow MegaFon PJSC to focus on its core business and reduce CAPEX significantly.

Charter capital of FTC JSC in the amount of 5 000 000 (Five Million) RUR shall be established from retained earnings of MegaFon PJSC and shall be divided into 50 000 000 (Fifty Million) ordinary registered shares with face value of 10 (Ten) Kopecks each. All the shares (100% of the charter capital of FTC JSC) shall be owned by MegaFon PJSC.

As a result of FTC JSC spin-off from MegaFon PJSC Part of the property, rights and duties of MegaFon PJSC that is reorganized in the form of spin-off shall be transferred to the Created Company in compliance with the Transfer Certificate (that is also referred to as demerger financial statements according to part 4 Article 19 of the Federal Law No.208-FZ “On Joint-Stock Companies” dated 26.12.1995).

In compliance with the law it is proposed that the following actions should be made to perform the procedure of MegaFon PJSC reorganization in the form of FTC JSC spin-off:

- 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 in the Unified State Register of Legal Entities on the start of the reorganization, MegaFon PJSC shall publish a notice on its reorganization twice a month in the printed media that is intended for publishing data on state registration of legal entities.
- Upon reorganization of MegaFon PJSC the lenders shall receive guarantees as set forth by Article 60 of the Civil Code of the Russian Federation.
- Subject to respective requests from the shareholders of MegaFon PJSC who voted against the reorganization in the form of spin-off 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.
- MegaFon PJSC shall file with the registration authority in its jurisdiction an application on state registration of the legal entity that is created through reorganization (FTC JSC).

- MegaFon PJSC shall be deemed to be reorganized from the Date of Record to the Unified State Register of Legal Entities on state registration of FTC JSC.
- After the date of reorganization of FTC JSC, MegaFon PJSC shall transfer to FTC JSC part of its property, rights, duties and obligations (assets and liabilities) in relation to its creditors and debtors, including challenged rights and obligations (if applicable), as well as assuming changes in type, composition and value of the above part of property, rights, duties and obligations of MegaFon PJSC that may take place after the date, when this Transfer Certificate was made, according to the Transfer Certificate.
- Within 30 (Thirty) days after the Reorganization Date, MegaFon PJSC shall send to the Bank of Russia the notice on changes in information related to issuers.