

APPROVED BY

Extraordinary General Meeting of Shareholders
of MegaFon PJSC
Minutes dated September 16, 2016

APPROVED BY

Sole Shareholder of
Mobicom Volga JSC
Decision dated _____, 2016

APPROVED BY

Sole Shareholder of
Yaroslavl-GSM JSC
Decision dated _____, 2016

MERGER AGREEMENT

Moscow

_____, 2016

Public Joint Stock Company “MegaFon” (OJSC “MegaFon”), registered in the Russian Federation on June 17, 1993, Registration number AOL-5192, record on that was made in the Uniform State Register of Legal Entities on July 15, 2002 as to legal entity registered before July 1, 2002, OGRN 1027809169585, registered address: 30 Kadashevskaya Emb., Moscow 115035, Russian Federation, represented by Sergey V. Soldatenkov, General Director, acting on the basis of the Charter, hereinafter referred to as the **“Parent Company”**, on one side, and

Joint-Stock Company “Mobicom-Volga” (JSC “Mobicom-Volga”), registered in the Russian Federation on November 11, 2014, Registration number 1146315006771, registered address: 2 Dachnaya Street, Bldg 2, Samara, 443013, Russian Federation, represented by A. Y. Krishtofovich, General Director, acting on the basis of the Charter, hereinafter referred to as the **“Merged Company 1”**,

Joint-Stock Company “Yaroslavl-GSM” (JSC “Yaroslavl-GSM”), registered in the Russian Federation on December 15, 1997, Registration number 75/152-P/97-3200, record on that was made in the Uniform State Register of Legal Entities on November 20, 2002 as to legal entity registered before July 1, 2002, OGRN 1027601597330, registered address: 41 Nekrasova Street, Office 45, Yaroslavl, 150040, Russian Federation, represented by S.A. Obichkin, General Director, acting on the basis of the Charter, hereinafter referred to as the **“Merged Company 2”**, on the other side.

The Parent Company and the Merged Companies, hereinafter collectively referred to as the **“Parties”**, made this Agreement on the following:

1. SCOPE OF AGREEMENT

- 1.1. The Parties hereby agree to execute the reorganization of the Parties in the form of merger of Mobicom Volga JSC and Yaroslavl-GSM JSC to MegaFon PJSC (hereinafter referred to as the **“Merger”**) with all rights and liabilities being transferred from the Merged Companies to the Parent Company under the terms and conditions set forth in this Agreement and in accordance with the Russian law.

- 1.2. The Parties shall carry out all actions and procedures required for reorganization in the form of merger as provided by the law, other regulations and their constitutive documents.
- 1.3. The Parent Company shall lead the overall Merger procedure and provide necessary assistance to the Merged Company during the Merger.
- 1.4. The Parties shall provide each other with documents and information required for the Merger without delay.
- 1.5. Upon completion of the Merger, both full and short official names of the Parent Company in both Russian and English shall remain unchanged pursuant to its Charter.

2. PRELIMINARY APPROVALS

- 2.1 The Parties shall take all necessary steps to obtain permissions of the Parties' governance bodies as well consents, permissions and approvals of government authorities necessary for the Merger in accordance with the applicable legislation and constitutive documents of the Parties, as soon as practicable.

3. RIGHTS AND LIABILITIES OF PARTIES

- 3.1. The Parties shall take all necessary steps to proceed with the Merger in exact compliance with the law, including:
 - timely performance of the actions related to reorganization of the Parties as provided by the effective Russian law, charters of the Parties, their internal documents and this Agreement.
- 3.2. The Parent Company shall be in charge for the Merger and shall coordinate all the required steps by efforts of its own employees and engaged specialists, including:
 - prepare the Merger schedule;
 - prepare the draft decisions and other documents for the Merger;
 - make notification of the Parent Company's lenders on the Company's reorganization;
 - provide assistance to the Merged Companies in terms of organizational, methodology and other issues;
 - provide appropriate financing of all steps to prepare and carry out the Merger.

The Parent Company shall take other steps to complete the Merger, if necessary.

- 3.3. The Merged Companies shall:
 - inform the Merged Companies' lenders of the forthcoming reorganization of the company;
 - provide the Parent Company and its authorized representatives with any needed documents and information, including commercial secrets, without delay;

The Merged Companies shall take other steps to complete the Merger, if necessary.

- 3.4. The Parties shall be entitled to receive information on the Merger from each other as well as to demand reimbursement of the Merger-related costs incurred, in the event that one of the Parties repudiates the Merger.

4. PROCEDURE AND CONDITIONS OF MERGER

- 4.1. As provided by the law, the Parties plan to take the following steps to proceed with the Merger:
 - 4.1.1. Within 3 (Three) Business days following the decision on the reorganization, the Parent Company 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.
 - 4.1.2. 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.
 - 4.1.3. Subject to respective requests from the Parent Company's shareholders who voted against the reorganization in the form of merger or did not participate in voting on that issue, the redemption of the Parent Company's shares (upon the decision of the General Shareholders Meeting of MegaFon PJSC on the reorganization pursuant to the current legislation) shall be carried out in conformity with the procedure and at the redemption price set forth by the Parent Company's Board of Directors based on the market value of the shares determined by an independent appraiser.
 - 4.1.4. The shares of the Merged Companies owned by the Parent Company shall be cancelled on the Date of Record to the Uniform State Register of Legal Entities (hereinafter the "USRLE") on termination of business activities of the Merged Companies and shall not be subject to any conversion.
 - 4.1.5. The Parent Company shall be deemed reorganized since the Date of Record to the USRLE on termination of business activities of the Merged Company. Since the Date of Record to the USRLE on termination of business activities of the Merged Companies (hereinafter the "Reorganization Date"), such Merged Company shall be deemed terminated.
 - 4.1.6. Since the Reorganization Date, all objects of civil rights owned by the Merged Companies (assets and liabilities), including resolutions on provision of radio frequencies, permissions for use of radio frequencies, numbering resources and licenses shall be transferred to the Parent Company under the universal legal succession at their book value. MegaFon PJSC shall obtain rights and liabilities of the Merged Companies, unless such rights and liabilities are terminated in case the debtor and the creditor is the same party according to the effective Russian law. The Merged Companies' liabilities for obligations shall be transferred to the Parent Company under the universal legal succession.
 - 4.1.7. The Merger shall be completed on the Reorganization Date.
 - 4.1.8. Within 30 (Thirty) days after the Reorganization Date, the Parent Company shall send a notice on the change of information related to the relevant issuer to the Bank of Russia.
- 4.2. The Parties shall be entitled to change a sequence of individual stages of the Merger procedure and take other steps required according to the current legislation that are not provided hereby, if the execution of those will be required by the effective law of the Russian Federation or other competent government authorities.

- 4.3. The Parties shall secure the rights and lawful interests of the employees of the Merged Companies working for such Company prior to the Reorganization Date, during the Merger pursuant to the current legislation and other regulations.

5. SUCCESSION

- 5.1. Upon completion of the Reorganization, the Parent Company shall become a universal successor of the property rights and obligations in relation to all creditors and debtors of the Merged Companies including obligations challenged by the parties. Since the Reorganization Date, all objects of civil rights owned by the Merged Companies (assets and liabilities), including resolutions on provision of radio frequencies, permissions for use of radio frequencies, numbering resources and licenses shall be transferred to the Parent Company under the universal legal succession at their book value. MegaFon PJSC shall obtain rights and liabilities of the Merged Companies, unless such rights and liabilities are terminated in case the debtor and the creditor is the same party according to the effective Russian law. The Merged Companies' liabilities shall be transferred to the Parent Company under the universal legal succession since the Reorganization Date.
- 5.2. If the rights and obligations of the Merged Company increase after the date of approval of this Agreement and prior to the Reorganization Date, such increased rights and obligations shall be transferred to the Parent Company on the Reorganization Date.
- 5.3. The Parties hereby acknowledge and agree that the assets and liabilities of the Merged Company may be decreased prior to the Reorganization Date due to settlement of the Merged Company creditors' claims in connection with the decision on the reorganization of the Merged Company.
- 5.4. Licenses for conducting business in the area of telecommunications services, permissions of the State Commission for Radio Frequencies for allocation of frequencies, permissions for the use of frequencies, the numbering capacity and registration certificates of radioelectronic facilities of the Merged Companies shall be re-registered in favor of the Parent Company according to the current legislation. The sole executive body of the Parent Company shall apply to the appropriate government and/or municipal authorities to re-register the abovementioned documents in favor of the Parent Company and take other steps necessary for such re-registration.
- 5.5. The Merged Companies shall take all steps and undertake all actions necessary for preparation and transfer of property, assets, rights, including but not limited to, rights under licenses, permissions of the State Committee for Radio Frequencies Allocation, permissions for the use of frequencies, and liabilities of the Merged Companies, including stock-taking thereof and application to the government and/or municipal authorities, to the Parent Company.
- 5.6. Within the reasonable period of time prior to the respective Reorganization Date, the Merged Companies shall submit all certificates, agreements and other documents certifying or relating to the rights for property, assets, liabilities and debts of the Merged Company as

well as all archives and other documents held by the Merged Companies, to the Parent Company.

- 5.7. The Parties have agreed hereby that in case any profit is generated by the Merged Companies as of the Reorganization Date, such profit shall be consolidated and used for development of the Parent Company.

6. TERM OF AGREEMENT

- 6.1. This Agreement shall come into force upon its execution by the authorized representatives of the Parties after approval hereof by the decisions of the Sole Shareholder of the Merged Companies and the decision of the Extraordinary General Shareholders Meeting of the Parent Company, and shall remain effective until all obligations hereunder are fulfilled.
- 6.2. This Agreement shall be terminated in the following cases:
- if one of the Parties refuses to merge as proved by the decision of the General Shareholders Meeting (the Sole Shareholder);
 - if bankruptcy proceedings have been initiated against one of the companies, as provided by law, before the completion of the Merger;
 - upon the agreement between the Parties as approved by the Sole Shareholder of the Merged Companies and the General Shareholders Meeting of the Parent Company;
 - in any other cases provided by the effective Russian law.

7. SETTLEMENT OF DISPUTES AND RESPONSIBILITY OF PARTIES

- 7.1. All disputes and disagreements arising out of this Agreement shall be settled by the Parties through negotiation.
- 7.2. If the Parties have failed to settle a dispute through negotiation, the dispute shall be settled by the Arbitrazh Court of Moscow.
- 7.3. This Agreement shall be governed by the laws of the Russian Federation. The Parties shall be liable for default or improper performance of their duties hereunder according to the current legislation, including the obligation of the Parties to compensate each other for damages caused by such default or improper performance.
- 7.4. The Party that failed to perform or performed its obligations hereunder improperly while fulfilling the Conditions hereof shall be held liable unless it proves that the proper fulfillment was impossible due to force majeure, i.e. extraordinary and unavoidable circumstances (Force-Majeure) in certain conditions at a certain time. The Parties shall consider the following events to be force majeure: acts of God (earthquake, flood, lightning, volcano eruption, landslide, mudslide, tsunami etc.), temperature, wind power and precipitation level at the site of obligations performance hereunder, which make normal human life and activities impossible; a moratorium of the government and administration authorities; strikes organized in compliance with the law, and other circumstances that can be defined by the Parties as force majeure for improper performance.

8. CLOSING PROVISIONS

- 8.1. All amendments and addenda hereto shall be made in writing and signed by authorized representatives of the Parties.
- 8.2. In case one or several of the provisions hereof are found null and void in accordance with the current legislation, such provisions shall become invalid. Termination of one or several provisions hereof shall not affect the validity of this Agreement as a whole.
- 8.3. If this entire Agreement is found null and void in accordance with the applicable legislation, the Parties shall take all necessary measures to protect the shareholders' and creditors' rights and to provide for fulfillment of decisions taken by the governing bodies of the Parties in compliance with the current legislation.
- 8.4. If this Agreement lacks any provisions governing specific issues arising in connection with the Merger, or if one or several provisions hereof have been recognized as null and void, the Parties shall be governed by the current legislation. Furthermore, if any issues concerning the Merger have not been addressed in the applicable legislation, the Russian civil law provisions regulating similar issues and customary business practices shall be all applied to the relationship between the Parties in connection with such issues unless it contradicts their essence.
- 8.5. This Agreement is executed in four counterparts, one for each Party, one for the registration authority, and each counterpart has equal legal effect.

9. SIGNATURES OF PARTIES

PJSC "MegaFon"

General Director _____ Sergey V. Soldatenkov

Chief Accountant _____ L.N. Strelkina

From Mobicom Volga JSC

General Director _____ A.Y. Krishtofovich

Chief Accountant _____ A. Y. Tyndikova

From Yaroskavl-GSM

General Director _____ S.A. Obichkin

Chief Accountant _____ A.M. Soppa

