

London Stock Exchange Derivatives

MARKET NOTICE 2018/050

POTENTIAL ADJUSTMENT OF DERIVATIVES CONTRACTS ON MEGAFON (MFON) FOLLOWING A PUBLIC TENDER OFFER

London Stock Exchange Derivatives Market (LSEDM) informs member firms that following [the announcement of a tender offer and delisting of Megafon \(MFON\) GDRs](#), derivatives contracts with open interest at the end of the tender offer will be will adjusted according to the [LSEDM Corporate Action policy](#). Futures and Option contracts with no open interest will be suspended with immediate effect.

CONTRACTS TO BE ADJUSTED	Option contracts on Megafon (MFON)
DATE OF THE ADJUSTMENT	At the end of the trading session on 22 August 2018, after the close of the tender offer, provided that the bidder becomes holder of more than 90% of the underlying instruments. If the bidder does not become holder of more than 90% of the underlying instruments the adjustment will not be performed.
DESCRIPTION OF THE ADJUSTMENT	<p>All open positions on Megafon option contracts at the end of the trading session on 22 August 2018 will be closed and cash settled by applying the Theoretical Fair Value (TFV) methodology¹.</p> <p>The interest rate curve, the dividends and the volatility matrix that will be used in case the TFV methodology is applied are detailed below:</p> <ul style="list-style-type: none">• <i>Interest rate</i>: interest rate based on the Libor curve as of the day before the closure and cash settlement of stock option contracts and consistent with the residual life of the contract.• <i>Dividends</i>: those estimated over the residual life of the contract and used to calculate the daily settlement prices on the day preceding the delisting of the stock option contracts.• <i>Volatility</i>: volatilities in the below table will be used to calculate the TFV for Megafon stock options. These volatilities correspond to the arithmetic average of the volatilities implied in the daily settlement prices of options contracts over the 10 days before the announcement date of the Public Tender Offer (2 July 2018 – 13 July 2018)

¹ According to LSEDM's [corporate action policy](#) (Section 5.2).

MEGAFON	
Call/Put Options Implied Volatilities	
Strikes with Open Interest	September 2018
9	21.7
9.5	19.2
9.75	20.5
10	22.3
10.5	32.5
11	37.6
12	49.2

Member Firms wishing to receive more information may contact the LSEDM Corporate Actions Team on +44 (0)20 7797 3660.

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