

Annex No. ____

to the Minutes _____ of MTS PJSC Board
of Directors meeting
dd. August 26, 2021

RATIONALE
for terms and procedure of reorganization
of Mobile TeleSystems Public Joint-Stock Company (MTS PJSC)
in the form of spin-off of MTS Web Services-1 Limited Liability Company (MWS-1 LLC) carried out
simultaneously with the merger of MWS-1 LLC with Joint Stock Company “MTS Web Services” (MWS
JSC)

MTS PJSC plans to allocate cloud and infrastructure assets to be transferred to Joint Stock Company “MTS Web Services” (hereinafter – MWS JSC). Creation of a large vertically integrated infrastructure company is a response to the current global trends.

First, the market for cloud products and services is growing globally being one of the most promising in terms of volume, growth rate and profitability level. Second, there is a boom in investment in infrastructure development in connection with 5G, network virtualization, edge computing, growing demand for data centers and developing “Smart Cities” projects. They are aimed at meeting the demand for products that require high processing power and low expenses.

World experience shows that in the current conditions, when the infrastructure requires constantly growing capital investments, the outsourcing model becomes effective. It allows the operators to reduce construction costs and optimize Capex (capital expenditure).

Similar trends are emerging in Russia. Herewith, an active investment cycle in the areas of edge cloud and infrastructure outsourcing is at the very beginning.

Company launch at an early development stage of the infrastructure services market will allow MTS PJSC, which has a huge technological and human potential in this area, to create a powerful platform, take leadership and create conditions for increasing the company’s market value.

Considering the above, the MTS PJSC Board of Directors considers it rational and worthwhile to initiate reorganization of MTS PJSC in the form of spin-off of MWS-1 LLC carried out simultaneously with the merger of MWS-1 LLC with MWS JSC.

Once the reorganization of MTS PJSC in the form of spin-off of MWS-1 LLC carried out simultaneously with the merger of MWS-1 LLC with MWS JSC is terminated, MTS PJSC will be the sole shareholder of MWS LLC.

Thus, as a result of the reorganization, a part of MTS PJSC business will be transferred to MWS JSC, 100% MTS PJSC subsidiary.

The specified ownership structure will ensure the control of MTS PJSC over the standalone business area.

The authorized capital of MWS-1 LLC spun-off will be generated at the expense of MTS PJSC own funds, i.e. the retained earnings of previous years.

In accordance with cl. 4 of Article 58 of the Civil Code of the Russian Federation, MWS-1 LLC will become the legal successor in respect of some of the rights and obligations of MTS PJSC in accordance with the deed of transfer, and when MWS-1 LLC merges with MWS JSC in accordance with cl. 2 of Article 58 of the Civil Code of the Russian Federation, the rights and obligations of merged MWS-1 LLC shall pass to MWS JSC as universal succession.

A deed of transfer containing provisions on determining MWS-1 LLC a legal successor of MTS PJSC reorganized in the form of spin-off of MWS-1 LLC is the deed of transfer, according to which the rights and obligations of MTS PJSC are transferred to MWS JSC, with which MWS-1 LLC is merged.

Reorganization basic terms and procedure:

The following procedure and terms are proposed for MTS PJSC reorganization in the form of spin-off of MWS-1 LLC carried out simultaneously with the merger of MWS-1 LLC to MWS JSC:

The General Meeting of Shareholders of MTS PJSC adopts the following resolutions:

- 1) On reorganization of MTS PJSC in the form of spin-off of MWS-1 LLC from it;
- 2) On reorganization of MWS-1 LLC established by reorganization in the form of spin-off from MTS PJSC, in the form of a merger with MWS JSC.

Due to the fact that MTS PJSC will be the owner of 100% (one hundred percent) of the ordinary shares of MWS JSC and the owner of 100% stake in the authorized capital of MWS-1 LLC spun-off, the following procedure is provided for the exchange of stake in the authorized capital of MWS-1 LLC for additional shares of MWS JSC:

- Stake in the authorized capital of MWS-1 LLC owned by the sole member – MTS PJSC (PSRN 1027700149124), in the amount of 5,000,000 (five million) rubles, which is 100% of the authorized capital of MWS-1 LLC, is exchanged for 5,000,000 (five million) additional ordinary shares of MWS JSC with par value of 1 (one) ruble each.
- Shares of MWS JSC are considered to be placed in accordance with the decision on reorganization in the form of merger, including the merger agreement, on the day of making an entry in the Unified State Register of Legal Entities on business termination of the merged legal entity.
- For the purpose of exchanging stakes in the authorized capital of the MWS-1 LLC being merged, MWS JSC resolves to increase the authorized capital by placing additional ordinary shares in the amount of 5,000,000 pieces.

Exchange is the method used for placement of additional shares (exchange for additional shares of the members' stake in the authorized capital of the merged limited liability company).

Herewith, the shareholders of MTS PJSC who vote against the resolution on reorganization at the extraordinary General Meeting of Shareholders of MTS PJSC or fail to participate in the voting on this issue, pursuant to Article 75 of the Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995, may demand the repurchase of their MTS PJSC shares at the price determined by the Board of Directors of MTS PJSC, but not below their weighted average price determined by the results of the on-exchange trading six months before the date of adopting a resolution on the General Meeting of Shareholders, the agenda of which includes the reorganization issue.

Should the total value of shares offered for repurchase exceed 10% (ten percent) of the value of MTS PJSC net assets, the claims of the shareholders will be satisfied on a pro rata basis.

- MTS PJSC, being the sole shareholder of MWS JSC, adopts the following resolutions:
 - 1) on reorganization of MWS JSC in the form of merger of MWS-1 LLC with it, established by reorganization in the form of spin-off from MTS PJSC;
 - 2) on increasing the authorized capital of MWS JSC by placing additional shares;
- MTS PJSC shall, within 3 (Three) business days after adoption of resolution by the last of the companies participating in reorganization on its own behalf, as well as on behalf of all companies involved in the reorganization, notify the agency responsible for the state registration of legal entities of the commencement of reorganization procedure.
- Once an entry has been made in the Unified State Register of Legal Entities about the commencement of the reorganization procedure, MTS PJSC, on its own behalf, as well as on behalf of all companies involved in the reorganization, shall twice at an interval of once (1) a month place a reorganization announcement in the mass media outlets publishing information on the state registration of legal entities.
- Should MTS PJSC creditors incur the claim rights before the announcement on MTS PJSC reorganization is published, they may refer to legal recourse to claim the early discharge of a certain obligation by MTS PJSC and if the early discharge is not possible – the termination of such obligation and compensation of losses incurred thereby within no later than 30 (Thirty) days from the date of the last published announcement on legal entity reorganization, provided that the reorganized legal entity, its members or third parties failed to provide sufficient security to back up the performance of the relevant obligations.

Some of the information above may contain projections or other forward-looking statements regarding future events, including our strategic priorities, announced restructuring initiative, which is subject to approval by the General meeting of MTS PJSC shareholders, and the initiative's potential benefits, or the future financial performance of MTS, as defined in the provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify forward looking statements by terms such as "expect," "anticipate," "estimate," "intend," "will," "could," "may" or "might," and the negative of such terms or other similar expressions. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not undertake or intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. We refer you to the materials of the extraordinary General Meeting of MTS PJSC Shareholders on September 30, 2021 (the "EGM"), which the shareholders of MTS PJSC can familiarize themselves with in person at the office of MTS PJSC (including, to receive copies of all EGM materials) at

the address: Marksistskaya street 4, Moscow, Russian Federation on weekdays from 09.00 to 18.00 Moscow time from August 30, 2021 to September 30, 2021, or information (materials) that are not confidential or commercial secrets can be found on the MTS PJSC page (www.mts.ru and <http://ir.mts.ru>) on the Internet. MTS PJSC shareholders (and / or their duly authorized representatives) can familiarize themselves with information (materials) that are confidential and / or information constituting a commercial secret and receive copies of such materials at the MTS PJSC office, subject to the signing of a Confidentiality Agreement according to the standard MTS PJSC form. Information (materials) that are confidential information and / or information constituting a commercial secret is provided to persons receiving information (materials) in accordance with Art. 8.9 of the Federal Law "On the Securities Market", in electronic form at the request of such persons in the manner provided for in the Communication on the convocation of an extraordinary General Meeting of Shareholders, subject to the signing of a Confidentiality Agreement in the standard form of MTS PJSC. The terms of the Confidentiality Agreement are posted on MTS PJSC page (www.mts.ru and <http://ir.mts.ru>) on the Internet at <https://moskva.mts.ru/about/investoram-i-akcioneram/korporativnoe-upravlenie/predostavlenie-informacii-po-zaprosam-akcionerov>. We refer you to the documents MTS files from time to time with the U.S. Securities and Exchange Commission, specifically the Company's most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned "Risk Factors" that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, the severity and duration of current economic and financial conditions, including volatility in interest and exchange rates, commodity and equity prices and the value of financial assets; the impact of Russian, U.S. and other foreign government programs to restore liquidity and stimulate national and global economies, our ability to maintain our current credit rating and the impact on our funding costs and competitive position if we do not do so, strategic actions, including acquisitions and dispositions and our success in integrating acquired businesses, potential fluctuations in quarterly results, our competitive environment, dependence on new service development and tariff structures, rapid technological and market change, acquisition strategy, risks associated with telecommunications infrastructure, governmental regulation of the telecommunications industries and other risks associated with operating in Russia and the CIS, volatility of stock price, financial risk management and future growth subject to risks. When forming an opinion on agenda items of the EGM, MTS PJSC shareholders are advised to carefully analyze the above materials and documents, including those provided in connection with the EGM, and it may be expedient, if the shareholders deem it necessary, to contact independent experts of their choice at their own expense for recommendations.