

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attached statement.

Blank lines for listing Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See attached statement.

Blank lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached statement.

Blank lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶  Date ▶ 14.01.17.

Print your name ▶ Joshua B. Tulgan Title ▶ Director, Corporate Finance and IR

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

Mobile TeleSystems Public Joint Stock Company
Attachment to IRS Form 8937

14. On December 15, 2016, a tender offer (the "Tender Offer") for shares of Common Stock and ADSs of Mobile TeleSystems Public Joint Stock Company (the "Company") was completed. A total of 1,509,914 shares of Common Stock (including shares of common stock represented by ADSs) were repurchased in the Tender Offer at a price of RUB 229.00 per share.

15. The sale of Common Stock or ADSs for cash by a U.S. holder pursuant to the Tender Offer was a taxable transaction for U.S. federal income tax purposes. The exchange of shares of Common Stock or ADSs for cash should be treated for U.S. federal income tax purposes as a redemption of the tendered shares of Common Stock or ADSs by the Company. In such case, depending on relevant circumstances, the tendering U.S. holder will generally be treated either as recognizing gain or loss from the disposition of the shares of Common Stock or ADSs or as receiving a distribution from Stream Digital, LLC, a wholly-owned subsidiary of the Company.

Under Section 302 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), a tendering U.S. holder will recognize gain or loss on the exchange of shares of Common Stock or ADSs for cash if the exchange: (1) results in a "complete termination" of all such U.S. holder's equity interest in the Company under Section 302(b)(3) of the Code, (2) results in a "substantially disproportionate" redemption with respect to such U.S. holder under Section 302(b)(2) of the Code, or (3) is "not essentially equivalent to a dividend" with respect to the U.S. holder under Section 302(b)(1) of the Code.

The tests under Section 302 described above are applied on a stockholder-by-stockholder basis. Those U.S. holders that transfer all of their shares of Common Stock and ADSs in the Tender Offer and that do not hold any other equity in the Company will generally meet the "complete termination" test. However, in applying the Section 302 tests, certain attribution rules must be taken into account. Under such attribution rules, among other things, each U.S. holder may be deemed to own shares of Common Stock or ADSs and other equity interests held by certain related persons unless such U.S. holder is entitled to and effectively waives attribution of the shares of Common Stock or ADSs which otherwise would be considered as constructively owned by the U.S. holder. Each U.S. holder should consult with its own tax advisor with respect to the application of such attribution rules given such U.S. holder's particular circumstances.

With respect to those U.S. holders who do not transfer (or are deemed not to transfer) all of their shares of Common Stock or ADSs (including as a result of the attribution rules described above resulting in deemed ownership of an interest in the Company), an exchange of shares of Common Stock or ADSs for cash generally will be a substantially disproportionate redemption with respect to each such U.S. holder if the percentage of the voting stock actually and constructively owned by such U.S. holder immediately after the exchange is less than 80% of the percentage of the voting stock actually and constructively owned by such U.S. holder immediately before the exchange, and after the exchange the U.S. holder owns less than 50% of the total combined voting power of all classes of stock entitled to vote (taking into account the attribution rules described above).

If an exchange of shares of Common Stock or ADSs for cash fails to satisfy both the complete termination test and the "substantially disproportionate" test, the U.S. holder may nonetheless satisfy the "not essentially equivalent to a dividend" test. An exchange of shares of Common Stock or ADSs for cash will satisfy the "not essentially equivalent to a dividend" test if it results in a "meaningful reduction" of the U.S. holder's equity interest in the Company given such U.S. holder's particular facts and circumstances. The IRS has indicated in published rulings that even a relatively minor reduction of the proportionate equity interest of a U.S. holder whose relative equity interest is minimal and who does not exercise any control over or participate in the management of corporate affairs should be treated as "not essentially equivalent to a dividend." Each U.S. holder should consult its tax advisors regarding the application of the rules of Section 302 in its particular circumstances.

If a U.S. holder meets one of the three tests described above and is thus treated as recognizing gain or loss for U.S. federal income tax purposes from the disposition of shares of Common Stock or ADSs for cash, such gain or loss will be equal to the difference between the U.S. dollar value of the amount received upon such disposition and the U.S. holder's tax basis, determined in U.S. dollars, in the shares of Common Stock or ADSs, as applicable. Gain or loss recognized will be long-term capital gain or loss with respect to shares of Common Stock or ADSs held for more than 12 months and any gain or loss recognized generally will be income from sources within the United States for foreign tax credit limitation purposes. Long-term capital gains of non-corporate U.S. holders are generally subject to a reduced rate.

If a U.S. holder transfers more than one "block" of shares of Common Stock or ADSs (that is, groups of shares of Common Stock or ADSs that the U.S. holder purchased at different times or at different prices), such U.S. holder must calculate gain or loss separately on each block, and the results for each block may not be netted in determining overall gain or loss. The sale of shares of Common Stock or ADSs in the Tender Offer will have no impact on the basis of the shares not sold in the Tender Offer. The manner in which a U.S. holder calculates gain or loss on each block of shares of Common Stock or ADSs transferred is complex and, therefore, U.S. holders are urged to consult with their own tax advisors.

If a U.S. holder does not meet any of the tests described above, it is expected that such U.S. holder generally will be treated as having received a distribution from the Company in an amount equal to the total consideration received pursuant to the Tender Offer. If so treated, while not entirely clear, the cash received by such U.S. holder pursuant to the exchange is expected to be treated as a dividend to the extent of the U.S. holder's allocable portion of the Company's current and accumulated earnings and profits computed under U.S. tax principles. In this regard, since the Company does not compute its earnings and profits under U.S. tax principles, such U.S. holders should expect that the entire distribution may be taxable as dividend when received. In such case, a U.S. holder's basis in the Common Stock or ADSs surrendered in the Tender Offer is transferred to such U.S. holder's remaining shares of Common Stock or ADSs in the Company. For non-corporate U.S. holders, such dividends may be "qualified dividend income" that is taxed at the lower applicable capital gains rate provided that certain conditions are satisfied, including certain holding period requirements. Dividends generally will be income from sources outside of the United States for foreign tax credit

limitation purposes, and generally will not be eligible for the dividends-received deduction that is allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

16. See discussion in 15 above.

17. Code Sections 301, 302 and 317.

18. Yes. The character and classification of the loss is dependent on a stockholder's particular circumstances and may be subject to limitation. Tendering stockholders should consult their own tax advisors.

19. The Tender Offer was completed on December 15, 2016. Thus, the reportable taxable year for the Tender Offer is the tax year of the stockholder that includes December 15, 2016.