

# **Information Letter**

for shareholders of  
PAO "TMK"

on certain tax matters in connection  
with the Voluntary Tender Offer made  
by "Volzhsky Pipe Plant", Joint stock  
company

19 May 2020

This Information Letter is an annex to the Information Letter in Relation to the Voluntary Tender Offer for the Purchase of Ordinary Registered Uncertified Shares of TMK Made by VTZ (the "**VTO Information Letter**").

This Information Letter describes certain matters related to taxation of income received by legal entities and individuals from the sale of the Shares pursuant to the Voluntary Tender Offer from the point of view of VTZ acting as tax agent for Russian tax purposes upon the payment of the purchase price for the Shares acquired pursuant to the Voluntary Tender Offer.

Shareholders that are individuals (the "**individual Shareholders**") should refer to section 1 of this Information Letter. The taxation regime will depend on whether such Shareholder is a tax resident (section 1.1 of section 1) or not a tax resident of the Russian Federation (section 1.2 of section 1).

Shareholders that are legal entities should refer to section 2 of this Information Letter.

**SHAREHOLDERS OF TMK ARE URGED TO CONSULT THEIR TAX ADVISERS AND SEEK GUIDANCE, IF NECESSARY, ON MATTERS INDICATED IN THIS INFORMATION LETTER, INCLUDING, IF APPLICABLE, IN RESPECT OF DETERMINATION OF THE JURISDICTION OF TAX RESIDENCY OF SUCH SHAREHOLDER OR TAXATION OF INCOME FROM THE SALE OF THE SHARES PURSUANT TO THE VOLUNTARY TENDER OFFER.**

**THE INFORMATION CONTAINED IN THIS INFORMATION LETTER IS PROVIDED FOR INFORMATION PURPOSES ONLY, DOES NOT CONSTITUTE TAX ADVICE AND IS ADDRESSED TO THE SHAREHOLDERS OF TMK TO ADVISE THEM THAT VTZ WILL ACT AS TAX AGENT UPON THE PAYMENT OF THE PURCHASE PRICE TO CERTAIN CATEGORIES OF INDIVIDUAL SHAREHOLDERS FOR THE SHARES THAT WILL BE PURCHASED PURSUANT TO THE VOLUNTARY TENDER OFFER.**

## ***Definitions***

<b>Abbreviation</b>	<b>Full name</b>
DTT	Double tax treaty
IRC – R.O.S.T.	Joint Stock Company “Independent Registrar Company R.O.S.T.”, the registrar of TMK engaged by VTZ to provide services in connection to the Voluntary Tender Offer, including collection of documents to be provided to the tax agent from the Shareholders
TMK	PAO “TMK”
PIT	Personal income tax
Questionnaire	Shareholder questionnaire (Annex 1 to this Information Letter)
Russian Tax Code	The Tax Code of the Russian Federation
Shareholder	Owner of Shares to whom the Voluntary Tender Offer of VTZ is addressed
Shares	Ordinary shares of TMK (registration number of securities issue: 1-01-29031-H) admitted to trading on the Moscow Exchange
Voluntary Tender Offer	Voluntary Tender Offer of VTZ to purchase securities TMK (the Shares) made to the Shareholders and received on 18 May 2020
VTZ	“Volzhsky Pipe Plant”, Joint stock company

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## **1. Individuals and entrepreneurs**

Income of an individual shareholder from the sale of shares, including the Shares to be sold pursuant to the Voluntary Tender Offer, is subject to the PIT and should be included in the tax base of this individual in accordance with Article 210, para. 1 of the Russian Tax Code (please also refer to section 1.1.5 “*Tax benefits and tax deductions*” and section 1.2.5 “*Tax benefits*” for detailed information on benefits and deductions applicable to certain categories of Shareholders that are individuals). The PIT tax base can be reduced by actually incurred expenses related to the acquisition and custody of the shares sold.

The tax rate depends, among other things, on whether the individual Shareholder is a tax resident (section 1.1 below) or not a tax resident of the Russian Federation (section 1.2 below).

### **1.1. Tax implications for individuals – Russian tax residents**

#### **1.1.1. Determining the tax residency**

Article 207, para. 2 of the Russian Tax Code sets forth a general rule that individuals who actually stay in Russia for not less than 183 calendar days over twelve consecutive months are deemed to be Russian tax residents.

If VTZ acts as a tax agent on the payment of purchase price for the Shares purchased pursuant to the Voluntary Tender Offer (please refer to section 1.1.2 below), to confirm their Russian tax resident status individual Shareholders should provide IRC – R.O.S.T., which is authorised by VTZ to collect documents, with copies of foreign passport (ID documents) pages with border clearance stamps to calculate the number of days spent in Russia. The respective documents must be provided alongside with other supporting documents before the expiration date of the Voluntary Tender Offer. The procedure and period for acceptance of the Voluntary Tender Offer and for the provision of supporting documents is set forth in section 1.1.3 of this Information Letter.

#### **1.1.2. Tax agent obligations**

*Tax agent obligations if an individual Shareholder personally submits the application for sale of Shares*

According to the Article 226, para. 1, sub-para. 3 of the Russian Tax Code, Russian entities making payments under securities sale and purchase agreements entered into with taxpayers are recognised as tax agents for PIT purposes with respect to securities sale transactions. Article 226.1, para. 2 of the Russian Tax Code provides for an exception: if above-mentioned transactions are carried out by a trustee or a broker that represents a taxpayer on the basis of a trust management agreement, a brokerage agreement, a commission agreement or an agency agreement with the taxpayer, such trustee or broker acts as a tax agent.

**Thus, if an individual Shareholder personally submits an application to sell the Shares pursuant to the Voluntary Tender Offer without involvement of a trustee or a broker acting on behalf of such Shareholder, including acting through a nominee holder, VTZ will be recognised as a tax agent (Article 226, para. 1 of**

**the Russian Tax Code) and will be obliged to calculate the PIT, withhold it from a taxpayer's income and pay it to the state budget.**

Please note that the status of a tax agent of VTZ remains the same in case shares are held through a chain of several foreign and/or Russian nominee holders.

*Tax agent obligations if an individual Shareholder acts through a broker (trustee)*

In accordance with Article 226.1, para. 2 of the Russian Tax Code, a trustee or a broker is recognised as a tax agent with respect to income of the individual from the sale of shares (including those accounted for on an individual investment account) if it carries out the transactions with securities for the benefit of a taxpayer on the basis of a trust management agreement, brokerage agreement, commission agreement or agency agreement with the taxpayer.

Articles 226 and 226.1 of the Russian Tax Code provide a list of tax agents for PIT calculation and payment purposes. In accordance with these provisions, Russian companies and Russian separate subdivisions of foreign companies should be recognised as tax agents only in respect of income received from, or as a result of, relations with such separate subdivisions. Therefore, foreign companies that do not have separate subdivisions in Russia are not recognised as tax agents for Russian PIT purposes.

Therefore:

- (a) **when the sale of the Shares by an individual Shareholder is performed through a broker (trustee) which is a Russian company (or a Russian separate subdivision/branch of a foreign broker (trustee)) pursuant to a trust management agreement, brokerage agreement, commission agreement or agency agreement, VTZ will not be recognised as a tax agent and VTZ will have no obligations to calculate, withhold and pay the PIT on the individual's income received from the sale of the Shares. In this case, a broker (trustee) will act as a tax agent and will be obliged to calculate the amount of PIT, withhold it from a Shareholder's income and transfer it to the budget;** and
- (b) **when an individual Shareholder receives income from the sale of the Shares by a foreign broker (trustee) that does not have separate subdivisions in Russia, VTZ will act as a tax agent and will be obliged to calculate, withhold from the Shareholder and pay the tax amount from such income.**

If information on a Shareholder acting through a nominee holder or foreign broker (trustee) is not disclosed, VTZ, acting as a tax agent, shall withhold the tax at a maximum tax rate of 30%.

*Regulations applicable to an individual Shareholder acting as an entrepreneur*

In accordance Article 227, para. 1, sub-para. 1 of the Russian Tax Code, individuals who carry out business activity in Russia without establishing a legal entity independently calculate and pay PIT based on the amounts of income received from such activity. However, in accordance with the provisions of Federal Law No. 39-FZ "On the Securities

Market" dated 22 April 1996, only legal entities can carry out a professional activity as participants in the securities markets, except for investment consulting activities.

Therefore, irrespective of an individual entrepreneur's registered activities, income from transactions in respect the individual Shareholder which is an individual entrepreneur should be subject to the general PIT calculation and payment method provided by Articles 226 and 226.1 of the Russian Tax Code (please refer to the general rule set forth in sections 1.1.1-1.1.3).

### **1.1.3. Required documents and tax payment deadlines**

In those cases where VTZ acts as a tax agent, VTZ will take into account actually incurred and documented costs and expenses related to the acquisition and custody of the respective Shares incurred by the taxpayer without the engagement of the tax agent in connection with the calculation of the PIT to be withheld and paid (Article 226, para. 1 of the Russian Tax Code). Such costs are taken into account pursuant to an application made by the taxpayer (the individual Shareholder) to reduce taxable income from the sale of Shares by the relevant expenses attaching the supporting documents (*see below*). We recommend making such application in the form of the Questionnaire (Annex 1 to this Information Letter).

Please note that the tax base may be reduced by the amount of the investment tax deduction provided for by Article 219.1, para. 1, sub-para. 1 of the Russian Tax Code (please refer to section "*Investment tax deduction*" of section 1.1.5 below) and that income from the sale of the Shares is exempt from the PIT if an individual Shareholder has owned the Shares (or has enjoyed any other proprietary title to the Shares) for more than five consecutive years (please refer to section "*Tax benefits for individual Shareholders who have owned Shares for more than five years*" of section 1.1.5 below).

#### *Documents to be provided*

To enable VTZ to act as tax agent and correctly calculate the PIT, individual Shareholders are required to submit the following documents (together, the "**supporting documents**") to IRC – R.O.S.T., which is authorised by VTZ to collect such documents:

- (1) Questionnaire (Annex 1 to this Information Letter), completed and signed by the Shareholder, attaching the supporting documents set forth in paras. (2)-(5) below.

Documents set out in paras. (2), (3) and (4) below are provided if an individual Shareholder has owned the Shares (or has enjoyed any other proprietary title to the Shares) for less than five consecutive years. If an individual Shareholder has owned the Shares (or has enjoyed any other proprietary title to the Shares) for more than five consecutive years, documents set out in para. (5) of this list of documents must be provided (please refer to para. (5) below and section "*Tax benefits for individual Shareholders who have owned Shares for more than five years*" of section 1.1.5 below).

- (2) Originals or properly certified (please refer to section "*Procedure of certification of supporting documents*" below) of the documents establishing the basis of which an individual Shareholder incurred expenses for the acquisition of the Shares

should be attached to such application (brokerage reports, documents confirming the fact of titles transferred to the relevant securities, the fact and amount of payment of the relevant expenses).

Examples of such documents include a share purchase agreement, an order for crediting securities to the Shareholder's personal (depo) account, an extract from the depo account or from the register of shareholders, etc.

Please note that there is no universal list of documents evidencing costs incurred on purchase of the Shares. The above list of documents is applicable to a general case of purchasing shares under a sale-purchase agreement. If title to the shares has been transferred on a different legal basis (for example, under a gift agreement, agreement on exchange of shares or the shares have been inherited), the list of documents may be different.

The tax agent reserves a right to request additional documents from individual Shareholders when calculating tax liabilities from the sale of the Shares.

- (3) Copies of pages of the foreign travel passport bearing marks on entrance to, or departure from, the Russian Federation for the calculation of the number of days spent in the Russian Federation and determination of the tax residency of the Shareholder (please refer to section 1.1.1 of this Information Letter).
- (4) If applicable (please refer to section "*Investment tax deduction*" of section 1.1.5 below), an application for the tax deduction and documents confirming the information required for the determination of the maximum amount of such deduction.
- (5) If applicable (please refer to section "*Tax benefits for individual Shareholders who have owned Shares for more than five years*" of section 1.1.5 below), documents confirming that the Shares have been owned for more than five years for the application of the tax benefits for Shareholders holding the Shares for more than five years.

#### *Procedure and period for submission of supporting documents*

Supporting documents must be submitted to IRC – R.O.S.T., which is authorised by VTZ to collect such documents, and may be submitted:

- personally (on business days during business hours) to IRC – R.O.S.T. or
- by post,

in each case to the addresses designated in the VTO Information Letter and for the convenience set forth below:

- to 18 Ul. Stromynka, Bldg. 5B, Office IX, 107076, Moscow, for Joint Stock Company "Independent Registrar Company R.O.S.T."; or
- to the address of any branch of Joint Stock Company "Independent Registrar Company R.O.S.T." appearing in the Unified State Register of Legal Entities as of the date of submitting the Application. Information on the branches of Joint Stock

Company "Independent Registrar Company R.O.S.T." is available on its website at <http://www.rrost.ru/ru/filials/>.

**Supporting documents must be received by IRC – R.O.S.T. before the expiration date of the Voluntary Tender Offer, i.e. not later than on 27 July 2020.**

The Shareholders whose Shares are registered in the share register must submit (provide) the supporting documents to IRC – R.O.S.T. together with the Application for the sale of shares pursuant to the Voluntary Tender Offer.

The Shareholders whose Shares are held through nominee holders must submit (provide) the supporting documents to IRC – R.O.S.T. immediately after submitting an application to sell the Shares by instructing their nominee holder to sell the Shares pursuant to the Voluntary Tender Offer. The Questionnaire must indicate the nominee holder through which the respective individual Shareholder holds their Shares and through whom the application to sell the Shares was made, the number of the Shares in respect of which the application for the sale of the Shares was made and the details for identification of such individual Shareholder.

#### *Procedure for certifying supporting documents*

The tax legislation does not provide for a general approach to certifying documents that is recognised as appropriate. Depending on the situation, copies of documents may be certified by:

- IRC – R.O.S.T. – by personal submission of original documents to IRC – R.O.S.T.,
- by authorised personnel and, if the seal is available, the seal of the broker (for example, with respect to brokerage reports) or a depository (for example, with respect to statements from depo accounts).

If documents are sent to IRC – R.O.S.T. by post, documents will be generally recognised as duly certified if they are certified by a notary (except for brokerage reports that are subject to certification by a broker).

If an individual Shareholder submits original documents, IRC – R.O.S.T. will make certified copies of such documents and return originals to the Shareholder.

If documents evidencing the expenses are in a foreign language, an individual Shareholder must provide their Russian translation certified by a notary.

Due to the current situation and possible changes in the work of notaries, it is recommended that Shareholders start the procedure for the certification of documents in advance.

In the event of late submission of documents (documents received by IRC – R.O.S.T. later than the period specified above), the PIT will be withheld from the entire amount of the Shareholder's income from the sale of the Shares. General information about the applicable tax rates is set forth in the section 1.1.4 below.

VTZ acting as a tax agent will withhold the PIT directly from the taxpayer's income when paying it (Article 226, para. 4 of the Russian Tax Code). The PIT amount is transferred to

the state budget no later than the day following the day of payment under the share purchase agreement (Article 226, para. 6 of the Russian Tax Code).

#### **1.1.4. Tax rates**

As a general rule, an individual taxpayer's income from the sale of securities in Russia is subject to a **13%** PIT.

However, individual Shareholders may reduce the taxable income by deducting actually incurred and documented costs of acquisition of the securities so sold.

The calculation of the payable PIT can also take account of tax deductions and benefits provided by law (if applicable) (please refer to reference information in section 1.1.5 below). Shareholders should consult with their professional tax, financial and other advisers to evaluate whether any such tax deductions and/or benefits would be applicable.

As indicated in section 1.1.3 above, in the event of late submission of the supporting documents or provision of incomplete or improperly certified supporting documents, the PIT will be withheld from the entire amount of income from the sale of the Shares.

#### **1.1.5. Tax benefits and deductions**

##### *Investment tax deduction*

The tax base from the sale of the Shares, taxable at a rate of 13%, may be reduced by the amount of the investment tax deduction provided for by Article 219.1, para. 1, sub-para. 1 of the Russian Tax Code. This tax deduction is applicable to individual Shareholders resident in the Russian Federation.

The deduction is applied in the amount of positive financial result received by a taxpayer in a tax period from the sale of securities traded on a stock exchange and owned by a taxpayer for more than three years. The term of ownership of securities is calculated based on the method of sale of securities purchased first (so called "FIFO" – First In, First Out).

Pursuant to the Article 219.1, para. 2 of the Russian Tax Code, the maximum amount of tax deduction is determined by multiplication of a calculated coefficient ( $K_{\text{u6}}$ ) and an amount equal to RUB 3 million. The  $K_{\text{u6}}$  value depends on a number of full years of Shares' ownership. A detailed approach to calculating this coefficient is provided by Article 219.1, para. 2, sub-para. 2 of the Russian Tax Code.

This tax deduction may not be applied to the sale of the Shares accounted for on an individual investment account. The taxpayer may be entitled to receive the investment tax deduction provided for by Article 219.1, para. 1, sub-para. 3 of the Russian Tax Code in the event of the acquisition of shares through an individual investment account. In this case, to obtain a deduction, the taxpayer must contact the company that opened the specified individual investment account and acts as a tax agent, or claim the deduction independently by submitting a PIT return Form 3-NDFL (*форма 3-НДФЛ*).

In order to receive this tax deduction when the PIT amount is calculated by VTZ, an individual Shareholder, alongside with the submission of supporting documents, must submit an application for tax deduction alongside with documents, necessary to determine the maximum amount of the deduction. Such application should be filed with IRC – R.O.S.T. alongside with an application for the sale of Shares and Shareholder's Questionnaire. Such documents should include documentary evidence of the date of acquisition of Shares and amount of costs incurred for such acquisition.

In case of a failure to submit the documents in the period specified in the section 1.1.3 above, the PIT will be withheld from the entire amount of the Shareholder's income from the sale of the Shares.

When deciding on the tax deduction amount, a tax agent independently determines the amount of tax deduction which the individual Shareholder is entitled to and provides him with the respective calculation in the form of a PIT tax return Form 2-NDFL (*форма 2-НДФЛ*).

The above-mentioned investment tax deduction can also be obtained by a taxpayer independently when submitting a tax return Form 3-NDFL (*форма 3-НДФЛ*). In this event, VTZ will withhold the tax from the full amount of the purchase price and the taxpayer will need to personally contact tax authorities on the matter of tax deduction.

#### *Tax benefits for individual Shareholders who have owned Shares for more than five years*

The Russian tax legislation provides for an exemption from the PIT of income received by individuals from sale of Russian companies' shares, whose assets are not predominately (*i.e.* for more than 50%) represented by immovable property located in Russia, provided that as of date of sale an individual has owned them (or has enjoyed any other proprietary title to shares) for five consecutive years (Article 217, para. 17.2 of the Russian Tax Code). This exemption is applicable regardless of tax residency status of an individual.

Less than 50% of TMK's assets directly or indirectly comprises of immovable property located in Russia, therefore, such tax benefit may be applied.

To apply this benefit, an individual Shareholder should provide IRC – R.O.S.T. with documents confirming the fact of ownership of Shares for more than five years and state the respective information in the Questionnaire (Annex 1 to this Information Letter). Examples of such documents include a share purchase agreement and a title transfer certificate (an extract from the register of shareholders with an indication of inclusion in this register, an extract from the depo account). These documents must be submitted in the original form or in the form of properly certified copies according to the procedure and period set forth in section 1.1.3 above.

In the event of a failure to submit such documents during the period set forth in section 1.1.3 above, the PIT will be withheld from the entire amount of the Shareholder's income from the sale of the Shares.

## **1.2. Tax implications for individuals who are not Russian tax residents**

### **1.2.1. Determining the tax base and tax residency**

For individuals who are not Russian tax residents, the object of taxation is Russia-sourced income (Article 209, para. 2 of the Russian Tax Code), including, among other things, income from the sale of shares in Russia. The Russian Tax Code does not define "place of sale of shares". According to current business practice and official clarifications issued by the Russian governmental bodies, Russia is considered a place of sale of shares if Russia is the location of the depository or registrar responsible for accounting of transactions that involve the transfer of title to securities. Taking into account that the registrar for the Shares is located in Russia, income from the sale of the Shares will be recognised as Russia-sourced and will be subject to Russian PIT even for individuals who are not Russian tax residents.

Please refer to section 1.1.1 of this Information Letter as to the procedure for determining tax residency.

Individual Shareholders that are not resident in the Russian Federation are advised to consider DTT that has been concluded by Russia and jurisdiction where a particular Shareholder is tax resident (please refer to section "*Application of DTT benefits*" of section 1.2.5 below).

### **1.2.2. Tax agent obligations**

*Tax agent obligations if an individual Shareholder personally submits the application for sale of Shares*

Similarly to what is specified in section 1.1.2 of this Information Letter, according to Article 226, para. 1, sub-para. 3 of the Russian Tax Code, Russian entities making payments under securities sale and purchase agreements entered into with taxpayers are recognised as tax agents for PIT purposes with respect to securities sale transactions. Article 226.1, para. 2 of the Russian Tax Code provides for an exception: if above-mentioned transactions are carried out by a trustee or a broker that represents a taxpayer on basis of a trust management agreement, a brokerage agreement, a commission agreement or an agency agreement with a taxpayer, such trustee or broker acts as a tax agent.

**Thus, if an individual Shareholder personally submits an application to sell the Shares pursuant to the Voluntary Tender Offer without involvement of a trustee or a broker acting on behalf of such Shareholder, including acting through a nominee holder, VTZ will be recognised as a tax agent and will be obliged to calculate the PIT, withhold it from a taxpayer's income and pay it to the state budget.**

Please note that the status of a tax agent of VTZ remains the same in case shares are held through a chain of several foreign and/or Russian nominee holders.

*Tax agent obligations if an individual Shareholder acts through a broker (trustee)*

In accordance with Article 226.1, para. 2 of the Russian Tax Code, a trustee or a broker is recognised as a tax agent with respect to income of the individual from the sale of shares (including those accounted for on an individual investment account) if it carries out the transactions with securities for the benefit of a taxpayer on the basis of a trust management agreement, brokerage agreement, commission agreement or agency agreement with the taxpayer.

Articles 226 and 226.1 of the Russian Tax Code provide a list of tax agents for PIT calculation and payment purposes. In accordance with these provisions, Russian companies and Russian separate subdivisions of foreign companies should be recognised as tax agents only in respect of income received from, or as a result of, relations with such separate subdivisions. Therefore, foreign companies that do not have separate subdivisions in Russia are not recognised as tax agents for Russian PIT purposes.

Therefore:

- (a) **when the sale of the Shares by an individual Shareholder is performed through a broker (trustee) which is a Russian company (or a Russian separate subdivision/branch of a foreign broker (trustee)) pursuant to a trust management agreement, brokerage agreement, commission agreement or agency agreement, VTZ shall not be recognised as a tax agent and VTZ will have no obligations to calculate, withhold and pay the PIT on individual's income received from the sale of the Shares. In this case, a broker (trustee) will act as a tax agent and will be obliged to calculate the amount of PIT, withhold it from the Shareholder's income and transfer it to the budget; and**
- (b) **when an individual Shareholder receives income from the sale of the Shares by a foreign broker (trustee) that does not have separate subdivisions in Russia, VTZ will act as a tax agent and will be obliged to calculate, withhold from the Shareholder and pay the tax amount from such income.**

Please note that the tax agent will provide a Shareholder with a PIT return Form 2-NDFL (*форма 2-НДФЛ*) that will contain information on the amount of tax withheld. This form may be used by a Shareholder to obtain a tax set-off when paying income tax in the jurisdiction of his tax residence (please note that the competent authorities of a foreign country may request additional documents confirming the fact of a tax payment in Russia). We strongly advise the Shareholders to clarify the issue of tax set-off against income tax obligation in connection to the sale of Shares in the jurisdiction of their tax residence with their tax advisors.

If information about a Shareholder acting via a nominee holder or a foreign broker (trustee) is not disclosed, VTZ, acting as a tax agent, will withhold PIT at a maximum tax rate of 30%.

### **1.2.3. Required documents and tax payment deadlines**

In those cases where VTZ acts as a tax agent, VTZ will take into account actually incurred and documented costs and expenses related to the acquisition and custody of the respective Shares incurred by the taxpayer without the engagement of the tax agent in connection to the calculation of the PIT to be withheld and paid (Article 226, para. 1 of the Russian Tax Code). Such costs are taken into account pursuant to an application made by the taxpayer (the individual Shareholder) to reduce taxable income from the sale of Shares by the relevant expenses attaching the supporting documents (see below). We recommend making such application in the form of the Questionnaire (Annex 1 to this Information Letter).

Please note that income from the sale of the Shares is exempt from the PIT if an individual Shareholder has owned the Shares (or has enjoyed any other proprietary title to the Shares) for more than five consecutive years (please refer to section "*Tax benefits for individual Shareholders who have owned Shares for more than five years*" of section 1.2.5 below).

#### *Documents to be provided*

To enable VTZ to act as tax agent and correctly calculate the PIT, individual Shareholders are required to submit the following documents (together, the "**supporting documents**") to IRC – R.O.S.T., which is authorised by VTZ to collect such documents:

- (1) Questionnaire (Annex 1 to this Information Letter), completed and signed by the Shareholder, attaching the supporting documents set forth in the paras. (2)-(4) below.

Documents set out in paras. (2) and (3) below are provided if an individual Shareholder has owned the Shares (or has enjoyed any other proprietary title to the Shares) for less than five consecutive years. If an individual Shareholder has owned the Shares (or has enjoyed any other proprietary title to the Shares) for more than five consecutive years, documents set out in para. (4) of the below list of documents must be provided (please refer to para. (4) of this list of documents and section "*Tax benefits for individual Shareholders who have owned Shares for more than five years*" of section 1.2.5 below).

- (2) Originals or properly certified (please refer to section "*Procedure of certification of supporting documents*" below) of the documents establishing the basis of which an individual Shareholder incurred expenses for the acquisition of the Shares should be attached to such application (brokerage reports, documents confirming the fact of titles transferred to the relevant securities, the fact and amount of payment of the relevant expenses).

Examples of such documents include a share purchase agreement, an order for crediting securities to the Shareholder's personal (depo) account, an extract from the depo account or from the register of shareholders, etc.

Please note that there is no universal list of documents evidencing costs incurred on the purchase of the Shares. The above list of documents is applicable to a general case of purchasing shares under a sale-purchase agreement. If title to the

shares has been transferred on a different legal basis (for example, under a gift agreement, agreement on exchange of shares or the shares have been inherited), the list of documents may be different.

The tax agent reserves a right to request additional documents from individual Shareholders when calculating tax liabilities from the sale of the Shares.

- (3) If applicable (please refer to section "Application of DTT benefits" of section 1.2.5 below), the documents confirming the individual Shareholder's status of tax residency of the jurisdiction which has concluded a DTT with Russian Federation.
- (4) If applicable (please refer to section "Investment tax deduction" of section 1.2.5 below), an application for the tax deduction and documents confirming the information required for the determination of the maximum amount of such deduction.

#### *Procedure and period for submission of supporting documents*

Supporting documents must be submitted to IRC – R.O.S.T., which is authorised by VTZ to collect such documents, and may be submitted:

- personally (on business days during business hours) to IRC – R.O.S.T. or
- by post,

in each case to the addresses designated in the VTO Information Letter and for the convenience set forth below:

- to 18 Ul. Stromynka, Bldg. 5B, Office IX, 107076, Moscow, for Joint Stock Company "Independent Registrar Company R.O.S.T."; or
- to the address of any branch of Joint Stock Company "Independent Registrar Company R.O.S.T." appearing in the Unified State Register of Legal Entities as of the date of submitting the Application. Information on the branches of Joint Stock Company "Independent Registrar Company R.O.S.T." is available on its website at <http://www.rrost.ru/ru/filials/>.

**Supporting documents must be received by IRC – R.O.S.T. before the expiration date of the Voluntary Tender Offer, i.e. not later than on 27 July 2020.**

Shareholders whose Shares are registered in the share register must submit (provide) the supporting documents to IRC – R.O.S.T. together with the Application for the sale of shares pursuant to the Voluntary Tender Offer.

Shareholders whose Shares are held through nominee holders must submit (provide) the supporting documents to IRC – R.O.S.T. immediately after submitting an application to sell the Shares by instructing their nominee holder to sell the Shares pursuant to the Voluntary Tender Offer. The Questionnaire must indicate the nominee holder through which the respective individual Shareholder holds their Shares and through whom the application to sell the Shares was made, the number of the Shares in respect of which the application for the sale of the Shares was made and the details for identification of such individual Shareholder.

### *Procedure for certifying supporting documents*

The tax legislation does not provide for a general approach to certifying documents that is recognised as appropriate. Depending on the situation, copies of documents may be certified by:

- IRC – R.O.S.T. – by personal submission of original documents to IRC – R.O.S.T.,
- by authorised personnel and, if the seal is available, the seal of the broker (for example, with respect to brokerage reports) or a depository (for example, with respect to statements from depo accounts).

In the event documents are sent to IRC – R.O.S.T. by post, documents will be generally recognised as duly certified if they are certified by a notary (except for brokerage reports that are subject to certification by a broker).

If an individual Shareholder submits original documents, IRC – R.O.S.T. will make certified copies of such documents and return originals to the Shareholder.

If documents evidencing the expenses are in a foreign language, an individual Shareholder must provide their Russian translation certified by a notary.

Due to the current situation and possible changes in the work of notaries, it is recommended that Shareholders start the procedure for the certification of documents in advance.

In the event of a late submission of documents (documents received by IRC – R.O.S.T. later than the period specified above), the PIT will be withheld from the entire amount of the Shareholder's income from the sale of the Shares. General information about the applicable tax rates is set forth in the section 1.2.4 below.

VTZ acting as a tax agent will withhold the PIT directly from the taxpayer's income when paying it (Article 226, para. 4 of the Russian Tax Code). The PIT amount is transferred to the state budget no later than the day following the day of payment under the share purchase agreement (Article 226, para. 6 of the Russian Tax Code).

#### **1.2.4. Tax rates**

Income received from sale of the Shares in Russia by an individual who is not a Russian tax resident is subject to a **30%** PIT from the amount of received income.

In this case, individual Shareholders that are not tax residents of the Russian Federation have a right to reduce the amount of taxable income by the incurred expenses that are properly evidenced by appropriate documents. In the event of a late submission of documents, PIT will be withheld from the entire amount of Shareholder's income from the sale of Shares.

#### **1.2.5. Tax benefits and deductions**

*Tax benefits for individual Shareholders who have owned shares for more than five years*

Russian tax legislation provides for an exemption from the PIT of income received by individuals from the sale of Russian companies' shares, whose assets are not

predominately (*i.e.* for more than 50%) represented by immovable property located in Russia, provided that as of date of sale an individual has owned them (or has enjoyed any other proprietary title to shares) for more than five consecutive years (Article 217, para. 17.2 of the Russian Tax Code). This exemption is applicable regardless of the tax residency status of an individual.

As less than 50% of TMK's assets directly or indirectly comprises of immovable property located in Russia, such tax benefit may be applied.

To apply this benefit, an individual Shareholder should provide IRC – R.O.S.T. with documents confirming the fact of ownership of Shares for more than five years and state the respective information in the Questionnaire (Annex 1 to this Information Letter). Examples of such documents include a share purchase agreement and a title transfer certificate (an extract from the register of shareholders with an indication of inclusion in this register, an extract from the depo account). These documents must be submitted in the original form or in the form of properly certified copies according to procedure and period set forth in section 1.2.3 above.

In the event of a failure to submit such documents during the period set forth in section 1.1.3 above, the PIT will be withheld from the entire amount of the Shareholder's income from the sale of the Shares.

#### *Application of DTT benefits*

As of the date of this Information Letter, Russia has concluded 80 DTTs with various jurisdictions. These agreements are aimed at, among other things, eliminating double taxation. The list of jurisdictions with which Russia has concluded DTTs can be found on the website of the Federal Tax Service of Russia – [https://www.nalog.ru/rn77/about\\_fts/inttax/mpa/dn/](https://www.nalog.ru/rn77/about_fts/inttax/mpa/dn/).

National legislation of most of the jurisdictions with which these agreements are concluded provides for taxation of all worldwide income of individuals who are tax residents of such jurisdictions, which could potentially lead to double taxation of income received by individuals, including income from the sale of the Shares. In this regard, DTTs with most countries contain provisions according to which income from divestment of property (including shares) is subject to taxation only in the jurisdiction of tax residence of an individual, provided that certain conditions are met. If these provisions are applied to income from the sale of Shares of an individual that is a tax resident of a country that has concluded a DTT with Russia, such income should be exempt from the PIT in Russia. Due to the fact that the provisions of the DTT differ from country to country, we strongly advise Shareholders to consult their tax advisors with respect to the taxation of income from the sale of Shares in the jurisdiction of tax residency of the respective Shareholder.

If the individual Shareholder is a tax resident of a foreign country with which Russia has a DTT providing for a full or partial exemption from taxation in Russia of income from the sale of the Shares, VTZ acting as a tax agent when making payments will not withhold tax if required supporting documents are provided by the Shareholder.

Supporting documents must be provided to IRC – R.O.S.T. according to the procedure and period set forth in section 1.2.3 above. In the event of a late submission of documents, the PIT will be withheld at a 30% rate.

In order to confirm the right to exemption of income from taxation under the provisions of a DTT, an individual must provide a tax agent with an official confirmation of his tax residency status issued by a jurisdiction with which Russia concluded a DTT.

In accordance with the Russian Tax Code, the confirmation should be issued by the competent authority of a foreign country that is authorised to issue such confirmation by the provisions of the respective DTT with Russia. If such confirmation is made in a foreign language, an individual should submit Russian translation certified by a notary to IRC – R.O.S.T.<sup>1</sup>

If an individual Shareholder is unable to provide a certificate of his tax residency to IRC – R.O.S.T. due to a reasonable cause (for example, it is impossible to obtain a certificate before the end of a calendar year or for other reasons beyond its control), the Shareholder should send an appropriate information letter to IRC – R.O.S.T. stating relevant reasons for impossibility to provide a certificate and informing on the planned date of its provision in future.

In accordance with Article 232, para. 7 of the Russian Tax Code in the event confirmation of tax residence status is submitted by an individual to a tax agent (the source of income) after the date of payment of income subject to exemption from taxation under a DTT with Russia, the refund of tax withheld is made via a tax agent by submitting an application for a refund and providing documents confirming tax residence to the tax agent. The tax agent will refund the tax withheld in accordance with the procedure provided for by Article 231, para. 1 of the Russian Tax Code.

## **2. Legal entities**

Under Russian law, VTZ will not act as an income tax agent in respect of income received from the sale of the Shares by Shareholders that are legal entities (see below).

Therefore, the purchase price for the Shares sold by Shareholders that are legal entities pursuant to the Voluntary Tender Offer will be paid to such Shareholders without any withholdings. We urge the Shareholders to consider the tax consequences of the sale of the Shares with their tax advisors.

*Shareholders that are Russian entities or foreign entities carrying on business in the Russian Federation through a permanent representative office*

VTZ will not act as tax agent responsible for withholding and transferring to the state budget the tax on income received from sale of Shares received by Shareholders that are Russian entities and foreign entities carrying on business in the Russian Federation through a permanent representative office. These companies – Shareholders (sellers of the Shares) – will have to fulfil the obligation to calculate and pay the tax on their own.

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<sup>1</sup> Please refer to the Letter of the Ministry of Finances No. BS-3-11/6303@ dated 7 September 2018 which outlines a requirement on notary certification of the confirmation of tax residence.

The same applies to foreign legal entities that are recognised as Russian tax residents under the provisions of Article 246.2 of the Russian Tax Code (either voluntarily declared themselves as Russian tax residents or have been recognised as such in the course of a tax audit by the Russian tax authorities).

*Shareholders that are foreign entities not carrying on business in the Russian Federation through a permanent representative office*

Pursuant to the provisions of Russian law, neither VTZ nor its authorised representatives acting in relation to the Voluntary Tender Offer will be obliged to withhold tax from the income from the sale of the Shares paid to foreign entities not carrying on business in the Russian Federation through a permanent representative office.

**Annex 1 to the Information Letter**

**Dated 19 May 2020**

# **Questionnaire**

1. This Annex is a questionnaire for the individual Shareholders of TMK and has been designed to determine possible tax implications of purchase of Shares, which should be considered by VTZ as a tax agent.
2. If an individual Shareholder does not provide the information specified below, attaching the supporting documents set out in this Information Letter, VTZ, acting as a tax agent pursuant to the Russian law, may withhold tax at a 13% rate (for individuals – Russian tax residents) or at a 30% rate (for individuals who are not Russian tax residents) from the full amount of the purchase price for the Shares to be paid to an individual Shareholder.
3. If an individual Shareholder does not provide documents confirming:
  - tax residency status;
  - expenses on the acquisition of Shares; and
  - the ownership period of the Shares,

a reduction of the PIT tax base and application for tax benefits may be unilaterally denied, and the tax will be withheld at a maximum rate of 30%.

<b>Determining a Shareholder's status for the purposes of identification of prospective Russian tax implications arising from the sale of the Shares</b>		
<b>Personal account number/ Depo account number and name of a nominee holder</b>		
<b>Full name of a Shareholder</b>		
<b>Individual ID document information (incl. type, series, No., authority issued, date of issue, registration number)</b>		
<b>Tax identification number</b>		
<b>Place of registration</b>		
<b>Post address (if different from place of registration)</b>		
<b>Number of Shares, in respect of which the Application to sell the Shares pursuant to the Voluntary Tender Offer was submitted</b>		
<b>Criteria</b>	<b>Response</b>	<b>Shareholder's Comments</b>
<b>This Questionnaire shall be completed by individual Shareholders</b>		
Please answer the following questions		
1. (A) Do you act independently or through a nominee holder/chain of nominee holders, or (B) does a broker or trustee acts on your behalf under a management agreement, brokerage agreement, commission agreement or agency agreement?	A/B	
2. If you answered "B" in question 1, is a broker or trustee acting on your behalf a Russian legal entity or a Russian separate subdivision/branch of a foreign broker (trustee)?  <i>If you answered "No", VTZ will act as a tax agent, and you will need to provide all documents to IRC – R.O.S.T. as it has been authorised by VTZ to accept the Shareholders' applications for the sale of Shares and all supporting documents to determine the relevant tax liabilities.</i>	Yes/No	
<b>If you answered "A" and "No" in questions 1 and 2:</b>		
3. Have you owned Shares for more than five	Yes/No	

<p>consecutive years? (Please note that consecutive ownership of Shares in this context means continuous ownership in terms of Art. 284.2 of the Russian Tax Code.)</p> <p><i>To evidence expenses related to the acquisition and ownership of Shares for more than five years (if any) you must provide IRC – R.O.S.T. with the following documents: a share purchase agreement, an order for crediting securities to the taxpayer’s personal account, an extract from the depo account or from the register of shareholders. Please note that the list of documents may change depending on the legal basis of your receipt of title to Shares (please refer to section 1.1.3 (for individual Shareholders that are Russian tax residents) and section 1.2.3 (for the individual Shareholders that are not Russian tax residents) of the Information Letter for the detailed information).</i></p> <p><i>Please note that the above documents must be translated into Russian (if applicable), duly certified and provided (submitted) to IRC – R.O.S.T. pursuant to the procedure specified in section 1.1.5 (for individual Shareholders that are Russian tax residents) and section 1.2.5 (for individual Shareholders that are not Russian tax residents) of the Information Letter not later than 27 July 2020.</i></p>		
<b>If you answered “No” in question 3:</b>		
<p>4. Are you a Russian tax resident?<sup>2</sup></p> <p><i>If you answered “Yes”, you should provide (submit) alongside the supporting documents, copies of your foreign passport (ID documents) pages with border clearance stamps to calculate the number of days spent in Russia together with the provision of the application for sale of Shares.</i></p>	Yes/No	
<b>If you answered “No” in question 4:</b>		
<p>5. Please specify whether the jurisdiction of your tax residence is included in the list of jurisdictions, which Russia has concluded DDT with?<sup>3</sup></p> <p><i>To confirm your tax residency status,<sup>4</sup> you must</i></p>	Yes/No	

<sup>2</sup> As a general rule provided by Article 207, para. 2 of the Russian Tax Code, individuals who actually stay in Russia for not less than 183 calendar days over twelve consecutive months are deemed to be Russian tax residents.

<sup>3</sup> [https://www.nalog.ru/rn77/about\\_fts/inttax/mpa/dn/](https://www.nalog.ru/rn77/about_fts/inttax/mpa/dn/).

<p><i>provide IRC – R.O.S.T. with a document confirming your tax residency (for example, a certificate of tax residency issued by a competent authority of a foreign country). The competent authority is determined by the provisions of the appropriate DTT with the jurisdiction of your tax residence.</i></p> <p><i>Supporting document must be apostilled and translated into Russian (translation of the document and the apostille must be notarised) in accordance with an established tax practice of the Russian Federation (e.g., Letter of the Ministry of Finances No. BS-3-11/6303@ dated 7 September 2018).</i></p>		
<b>If you answered “Yes” in question 4:</b>		
<p>6. Please indicate “Confirm” if this Questionnaire is your application for an investment tax deduction if you have held Shares for more than three years.</p> <p><i>If you have chosen “Confirm”, please attach relevant supporting documents as indicated in section 1.1.3 and section “Investment tax deduction” of section 1.1.5 of the Information Letter</i></p>	<p>Confirm/ Do not confirm</p>	
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<p>7. If you answered “No” in question 3, please indicate “Confirm” to confirm that this Questionnaire is your application for the reduction of the taxable income from the sale of Shares pursuant to the Voluntary Tender Offer by the costs incurred in respect of such Shares and provide the supporting documents.</p> <p><i>This applies both to individual Shareholders that are Russian tax residents and individual Shareholders that are not Russian tax residents. If you have chosen “Confirm”, please attach relevant supporting documents as indicated in section 1.1.3 of the Information Letter (for individual Shareholders that are Russian tax residents) or section 1.2.3 of the Information Letter (for individual Shareholders that are not Russian tax residents).</i></p>	<p>Confirm/ Do not confirm</p>	

<sup>4</sup> Due to the fact that provisions of DTTs differ from jurisdiction to jurisdiction, we strongly recommend that you clarify the taxation of income from the sale of the Shares in the jurisdiction of your tax residence with your tax adviser.

<b>Full name of a Shareholder</b>	<b>Signature</b>	<b>Date</b>

Please attach relevant supporting documents to this Questionnaire as indicated in section 1.1.3 of the Information Letter (for individual Shareholders that are Russian tax residents) or section 1.2.3 of the Information Letter (for individual Shareholders that are not Russian tax residents).