

Regulations on the Dividend Policy of PJSC “LUKOIL”

1. GENERAL PROVISIONS

1.1. These *Regulations on the Dividend Policy of PJSC “LUKOIL”* (hereinafter - the “Regulations”) were prepared in compliance with the applicable legislation of the Russian Federation, the Charter of Public Joint Stock Company “Oil company “LUKOIL” (PJSC “LUKOIL” or the “Company”) and the Corporate Governance Code recommended for application by virtue of letter No. 06-52/2463 issued by the Bank of Russia on April 10, 2014.

1.2. The Regulations were developed to ensure that the procedure whereby the Board of Directors of the Company prepares its recommendations for the Company’s General Shareholders Meeting regarding dividend amount and payment procedure as well as the dividend record date, is transparent and predictable.

1.3. The Company’s dividend policy is based on the following major principles :

- compliance with the applicable Russian law, the Company’s Charter and internal regulations regarding the payment (declaration) of dividends on the Company’s shares;
- observance of shareholder rights in accordance with the applicable Russian law, the Company’s Charter and its internal regulations;
- continuous enhancement of the Company’s investment appeal, its market capitalization and total shareholder return;
- priority of dividend payments over investment and other expenses as part of the Company’s profit distribution subject to the need to maintain the Company’s financial stability.

1.4. The matters not covered herein shall be regulated by the applicable Russian law and the Company’s Charter. If, following changes in the Russian law or the Company’s Charter, certain provisions hereof should become non-compliant with them, such provisions cease to be effective and the applicable Russian law or the Company’s Charter shall be relied upon until the Regulations are amended.

1.5. The Regulation, as well as all respective supplements and amendments hereto shall be approved by the Board of Directors and take effect on the day of approval.

2. DIVIDEND PAYMENT PREREQUISITES

2.1. The Company makes dividend payment to its shareholders subject to:

- availability of sufficient net profit generated by the Company during the reporting period, and, if appropriate, retained earnings of previous years based on the accounting (financial) statements prepared in compliance with the Russian law;
- absence of dividend payment restrictions under the applicable Russian law;
- resolution on dividend payment (declaration) passed by the Company’s General Shareholders Meeting.

3. RESOLUTION ON DIVIDEND PAYMENT

3.1. The payment of dividend shall be preliminarily considered by the Strategy and Investment Committee of the Board of Directors of PJSC “LUKOIL” (the “Committee”) based on the actual financial results. LUKOIL’s Senior Vice President of Finance shall submit this matter to the Committee for consideration.

3.2. The Company’s Board of Directors shall determine the portion of the Company’s net profit that shall be allocated to the payment of dividends based on the recommendations of the Committee and prepare recommendations for the General Shareholders Meeting regarding the amount of dividend payable on the Company’s shares, payment procedure, as well as the dividend record date.

3.3. The resolution on distribution (declaration) of dividends shall be passed by the Company’s General Shareholders Meeting based on the Board of Directors recommendations. With that, the dividend amount may not exceed the amount recommended by the Company’s Board of Directors.

4. FREQUENCY OF DIVIDEND PAYMENT

4.1. The Company shall be entitled to resolve on payment (declaration) of dividend on the Company’s shares based on its results for the first quarter, for the first six months, for the first nine months of the reporting year and (or) based on the reporting year results.

4.2. To ensure steady dividend payouts, the Company seeks to pay dividends to its shareholders at least twice a year: based on its results for the first nine months of the reporting year (the “Interim Dividends”), and based on the reporting year results (the “Final Dividends”).¹ Resolution on the payment (declaration) of the Interim Dividends can be made at the Company’s Extraordinary General Shareholders Meeting within three months following the respective reporting period, whereas resolution on the payment of the Final Dividends shall be made at the Company’s Annual General Shareholders Meeting held no earlier than two months and no later than six months following the respective reporting year.

5. DETERMINATION OF THE INTERIM DIVIDEND AMOUNT

5.1. In determining the amount of the Interim Dividends to be recommended to the Company’s Extraordinary General Shareholders Meeting, the Company’s Board of Directors shall rely on the following:

- the amount of the recommended Interim Dividends per ordinary share of the Company stock shall be set in Russian roubles;
- The Company seeks to increase the amount of the Interim Dividends annually at a rate not lower than the year-on-year rouble inflation rate for the first nine months. The Company intends to estimate the rouble inflation rate based on the Consumer Price Index published by the Federal State Statistics Service (Rosstat);
- The Company seeks to ensure that the amount of the Interim Dividends is at least 50% of the amount of the Final Dividends paid for the preceding reporting year;
- The Company intends to round the amount of the recommended Interim Dividends to a figure divisible by five Russian roubles.

6. DETERMINATION OF THE FINAL DIVIDEND AMOUNT

6.1. In determination of the amount of the Final Dividends to be recommended to the Company’s Annual General Shareholders Meeting, the Company’s Board of Directors shall rely on the following:

- the amount of the recommended Final Dividends per ordinary share of the Company stock shall be set in Russian roubles;

¹ The Final Dividends do not include the Interim Dividends paid for the first nine months of the reporting year.

- the total amount allocated to dividend payment (including the amount of the Interim Dividends) shall be equal to at least 25% of the consolidated profit of PJSC “LUKOIL” for the period calculated in accordance with the International Financial Reporting Standards (IFRS). For dividend calculation purposes, the IFRS consolidated profit for the period can be adjusted by the amount of non-recurring losses and gains (including foreign exchange gains and losses) that in the Company’s opinion are difficult to predict and do not fully reflect the nature of its regular (day-to-day) operations². In determining the amount of the Final Dividends per ordinary share, the Company intends to exclude from the total amount of outstanding and circulating shares the shares held by the legal entities controlled by the Company³;
- The Company seeks to increase the amount of dividends per ordinary share (inclusive of the Interim Dividends) annually at a rate not lower than the rouble inflation for the reporting year. The Company intends to estimate the rouble inflation rate based on the Consumer price index published by the Federal State Statistics Service (Rosstat).

7. DETERMINATION OF THE DIVIDEND PAYMENT FORM

7.1. Unless otherwise stipulated in the Company’s Charter, the dividends shall be paid in monetary form.

8. DIVIDENDS ELIGIBILITY CRITERIA AND PAYMENT PROCEDURE

8.1. The date as of which the persons entitled to receive dividends are defined (dividend record date) shall be determined by virtue of the resolution of the Company’s General Shareholders Meeting on dividend payment (declaration) solely as advised by the Company’s Board according to the procedure established by the applicable Russian law.

8.2. The dividends shall be paid in the manner and within the time frame determined by the resolution of the Company’s General Shareholders Meeting as recommended by the Company’s Board of Directors and in accordance with applicable legislative requirements.

8.3. The Company seeks to pay dividends as soon as is practicable following the respective resolution made by the Company’s General Shareholders Meeting.

8.4. To ensure timely dividend payments, in its notices to the General Shareholders Meeting, the Company shall inform its shareholders of their obligation to timely notify the keeper of the Company’s shareholder register (the “Registrar”) of the changes in the data specified in the security holder’s profile, including the bank details, address and passport data, as well as the consequences of failure to fulfill these obligations. Should the shareholder registered in the Company’s shareholder register fail to communicate the information on changes to his personal details, neither the Company, nor the Registrar shall be liable for any damages that may arise from or out of such failure.

9. SHAREHOLDERS COMMUNICATION ON PJSC LUKOIL’S DIVIDENDS AND DIVIDEND POLICY

9.1 The Company seeks to provide its shareholders with clear and transparent information on dividend payments.

9.2. The Company places the following information on its official websites: www.lukoil.ru and www.lukoil.com:

- the Regulation and amendments/supplements hereto;

² The non-recurring income and expenses shall be determined by the Company’s management and can be recorded in the Management Discussion and Analysis of Financial Condition and Results of Operations report published on the Company’s official websites, www.lukoil.ru and www.lukoil.com.

³ According to the applicable Russian law, the shareholders represented by the legal entities controlled by the Company are entitled to dividends along with all other Company’s ordinary shareholders and therefore the declared dividends are paid to these entities as well.

- Information on dividend payment agent engaged by the Company (if applicable);
- information on the recommendations issued by the Company's Board of Directors to the Company's General Shareholders Meeting regarding the dividend amount and payment (declaration) procedure on the Company's shares, as well as the dividend record date, in the form of a separate press release;
- information on the resolution made by the Company's General Shareholders Meeting on the payment (declaration) of dividends, (on the day the respective resolution was made), in the form of a separate press release;
- information on the dividends paid by the Company.

The information shall be published in Russian and English.

9.3. The documents (materials) to be submitted to the persons entitled to attend the Company's General Shareholders Meeting shall contain all the necessary information confirming availability or lack of prerequisites for dividend payment.