

PRESS RELEASE
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LUKOIL REPORTS ON STRATEGIC INITIATIVES

PJSC "LUKOIL" (hereinafter the Company) reports on the beginning of the active execution phase of the strategic initiatives supported by the Board of Directors in December 2017 during the review of the LUKOIL Group Strategic Development Program for 2018-2027. The initiatives are aimed at increasing the Company's shareholder value through the improvement of the corporate governance standards, effective delivery on the strategy and enhanced financial policy.

The initiatives include:

1. Cancellation of the major part of the Company's shares held on the LUKOIL Group's balance sheet (hereinafter treasury shares);
2. Use of the remaining treasury shares as a long-term incentive tool for the key employees of LUKOIL Group;
3. Start of the share buyback on the open market in accordance with the new policy of capital distribution to shareholders.

The first initiative envisages the cancellation of 100.6 million shares of PJSC "LUKOIL" representing 11.82% of the Company's share capital and held by LUKOIL SECURITIES LIMITED, a 100% subsidiary of PJSC "LUKOIL". To execute this initiative the Company's Board of Directors today resolved to hold an Extraordinary General Shareholders Meeting (hereinafter the EGM) on reducing the Charter Capital of PJSC "LUKOIL" through acquisition of a portion of issued shares in order to reduce the total number thereof.

Should the EGM resolve on the matter, LUKOIL SECURITIES LIMITED will submit its PJSC "LUKOIL" shares for sale, while PJSC "LUKOIL" will acquire 100.6 million ordinary shares for their cancellation. As a result, the share capital of PJSC "LUKOIL" will be reduced to 750,000,000 ordinary shares.

The acquisition of the ordinary shares will be implemented according to Art. 72, para. 1 of the Federal Law "On Joint-Stock Companies". The acquisition price will be RUB 3,949 per share, which represents the weighted average price on the Moscow Exchange over a period from January 1 to June 30, 2018. If more than 100.6 million shares are submitted for sale, the acquisition of shares will be

implemented on a pro rata basis.

The EGM will be held on August 24, 2018 in the form of absentee voting. The compilation date of a list of persons entitled to take part in the EGM is July 30, 2018. The EGM materials will be made available on the Company's websites www.lukoil.ru (in Russian) and www.lukoil.com (in English) by August 3, 2018.

Under the second initiative 40 million treasury shares have been transferred to the equity participation program for the key employees of the LUKOIL Group. The program is aimed at maximizing commitment of its participants to increase the Company's shareholder value by delivering on the stated strategy in the most efficient way.

Under the third initiative LUKOIL SECURITIES LIMITED will be buying back PJSC "LUKOIL" shares (including in a form of depositary receipts) on the open market in accordance with all the requirements of the applicable laws. Detailed parameters and selection of brokers are being currently finalized in order to approve the respective buyback program by September 2018.

"We are pleased to report on the achieved progress in the delivery of the crucial strategic initiatives. After thorough analysis of the options available under the existing laws to cancel the treasury shares, we chose the one which is the most transparent and aligned with shareholders interests. We are also getting ready to start buying back LUKOIL shares on the open market, which is the most important component of our new policy for capital distribution to shareholders", – the President of PJSC "LUKOIL" Vagit Alekperov said.