

REGULATIONS ON THE DIVIDEND POLICY OF PJSC “LUKOIL”

(new version)

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” (hereinafter PJSC “LUKOIL” and/or the “Company”) and the Corporate Governance Code recommended for application by the letter No. 06-52/2463 issued by the Bank of Russia on April 10, 2014, as well as taking into account the best Russian and international corporate governance practices.

1.2. The Regulations were developed to ensure the predictability of the dividend amount on the Company’s shares and the frequency of its payment, as well as the maximum transparency of the process of developing the recommendations to the Company’s General Shareholders Meeting regarding dividend amount and payment procedure as well as the dividend record date.

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

- enhancing the Company’s investment appeal;
- respecting shareholders rights;
- ensuring transparency in determining the dividend amount.

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 for the reporting period, and, if necessary, retained earnings of previous years based on the accounting (financial) statements prepared in compliance with the Russian legislation;
- absence of dividend payment restrictions under the applicable Russian legislation;
- resolution on dividend payment (declaration) passed by the Company's General Shareholders Meeting.

3. DECISION MAKING PROCEDURE ON DIVIDEND PAYMENT

3.1. The recommendation on dividend payment (declaration) shall be submitted by the First Vice President of PJSC "LUKOIL" for preliminary consideration by the Strategy, Investment and Sustainability Committee of the Board of Directors of PJSC "LUKOIL" (hereinafter – the "Committee").

3.2. Based on the recommendations of the Committee the Board of Directors of PJSC "LUKOIL" shall determine the portion of the Company's net profit, as well as, if necessary, the share of retained earnings for the previous years, that can be allocated to the payment of dividends, and prepare recommendations for the Company's General Shareholders Meeting regarding the amount of dividends on the Company's shares, the payment procedure, as well as the dividend record date.

3.3. The resolution on distribution (declaration) of dividends, including the amount of dividends, the form of payment, the procedure of payment and the dividend record date, shall be passed by the Company's General Shareholders Meeting based on the Board of Directors recommendations. The dividend amount may not exceed the amount recommended by the Company's Board of Directors.

4. FREQUENCY AND DECISION LEAD TIME OF DIVIDEND PAYMENT

4.1. To ensure regular frequency of dividend payments, the Company pays dividends to shareholders twice a year (subject to a corresponding decision by the General Meeting of Shareholders): interim dividends, the amount of which is determined in accordance with subparagraph 5.1.6 of the Regulations (hereinafter

– the “Interim Dividends”), and final dividends based on the results of the reporting year (hereinafter – “Final Dividends).

4.2. Resolution on the payment (declaration) of the Interim Dividends shall be made by the Company’s Extraordinary General Shareholders Meeting within three months following the end of respective reporting period.

4.3. Resolution on the payment (declaration) of the Final Dividends shall be made by the Company’s Annual General Shareholders Meeting held no earlier than two months and no later than six months following the end of respective reporting year.

5. DETERMINATION OF THE DIVIDEND AMOUNT

5.1. In determining the recommended dividend amount the Company’s Board of Directors shall rely on the following:

5.1.1. The total amount of dividends on the Company’s issued shares, excluding the shares held by LUKOIL Group entities, equals at least 100% of the Company’s adjusted free cash flow;

5.1.2. The adjusted free cash flow is calculated on the basis of PJSC "LUKOIL" consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and is determined as net cash provided by operating activities less capital expenditures, interest paid, repayment of lease obligations, and expenses for purchase of Company’s stock;

5.1.3. The dividend per one ordinary share is determined as the amount calculated in accordance with clauses 5.1.1 - 5.1.2 of the Regulations divided by the total number of issued shares of the Company, net of shares owned by LUKOIL Group entities, as of the recommendation date by the Board of Directors on the dividend amount;

5.1.4. The dividend per one ordinary share is rounded to a whole Russian rouble;

5.1.5. The total amount allocated to dividend payment is determined by multiplying the dividend per one ordinary share, determined in accordance with clauses 5.1.3 and 5.1.4 of the Regulations, by the total number of shares issued and outstanding;

5.1.6. The amount of the Interim Dividends is calculated based on the adjusted free cash flow according to the consolidated financial statements for the first six months of the reporting year;

5.1.7. The amount of the Final Dividends is calculated based on the adjusted free cash flow according to the consolidated financial statements for the twelve months of the reporting year net of the adjusted free cash flow according to the consolidated financial statements for the first six months of the reporting year.

6. DETERMINATION OF THE DIVIDEND FORM

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

7. DIVIDENDS ELIGIBILITY CRITERIA AND PAYMENT PROCEDURE

7.1. The dividend record date shall be determined by the resolution of the Company's General Shareholders Meeting on dividends payment (declaration) as advised by the Company's Board of Directors. The dividend record date cannot be set earlier than 10 days from the dividends payment (declaration) resolution date and later than 20 days from the date of the resolution.

7.2. 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. The dividends shall be paid within ten days from the dividend record date to nominee shareholders and trust managers who are recorded in the PJSC "LUKOIL" shareholder register, and within twenty five days – to other persons registered in the Company's shareholder register.

7.3. The Company seeks to pay dividends as soon as possible following the respective resolution made by the Company's General Shareholders Meeting.

7.4. The costs associated with dividends payment by any means are covered by PJSC "LUKOIL".

7.5. Payment of dividends in monetary form to individuals whose shareholder rights are recorded in the Company's shareholder register shall be carried out by way of a funds transfer to their bank accounts, the details of which are in the possession of the Company's Registrar (hereinafter – the "Registrar"), or, in the absence of bank account details, by way of a postal order, and to other entities whose shareholder rights are recorded in the Company's shareholder register, by way of a funds transfer to their bank accounts.

7.6. An entity that has not received declared dividends because the Company or the Registrar does not have the accurate and necessary address or bank details or due to other creditor's delay shall have the right to file a claim for payment of such dividends (unclaimed dividends) within three years from the date of the decision to pay them. Interest on unclaimed dividends is not accrued. Upon the expiry of such a period, declared and unclaimed dividends shall be restored as part of the retained earnings of the Company, and the obligation to pay them shall terminate.

7.7 To ensure timely dividend payment, in its notice to the General Shareholders Meeting, the Company shall inform its shareholders of their obligation to timely notify the "Registrar" of the changes in the data specified in the questionnaire of the registered entity (physical/legal), as well as of the consequences of failure to fulfill these obligations. Should an entity registered in the Company's shareholder register fail to communicate the information on changes to its details, neither the Company, nor the Registrar, in accordance with the applicable legislation, shall be liable for any damages that may arise from or out of such failure.

8. SHAREHOLDERS COMMUNICATION ON PJSC LUKOIL'S DIVIDENDS AND DIVIDEND POLICY

8.1 The Company seeks to provide its shareholders with clear and unambiguous information on dividend payments.

8.2. The Company discloses the following information on its official websites www.lukoil.com and www.lukoil.ru in the "Investors" section:

- the Regulations and amendments/supplements hereto;
- information on dividend payment agent engaged by the Company (if applicable);
- information on the position and 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, including in the form of a press release;
- information on the resolution by the Company's General Shareholders Meeting on the payment (declaration) of dividends (on the day the respective resolution is made) in the form of a press release;
- information on the dividends paid by the Company.

8.3. The information specified in paragraph 8.2 of the Regulations shall be published in Russian and English.