

PJSC "LUKOIL"
ANNUAL REPORT

2015

Always moving forward



LUKOIL is one of the largest oil & gas vertical integrated companies in the world accounting for over 2% of crude production and circa 1% of proved hydrocarbon reserves globally. LUKOIL enjoys a full production cycle to control the entire value chain from upstream to downstream. The Company boasts a well-diversified portfolio of assets with core operations focused on four federal districts in Russia while its international projects account for 12% of reserves and 17% of production.

Each and every day, the Company supplies its fuels, power and heat to millions of consumers in 35 countries thus improving livelihoods.

LUKOIL employs over 100 thousand people who join their efforts and talents to secure the Company's market leadership.

Reliability

Over 25 years of sustainable growth

Efficiency

LUKOIL is one of the most efficient companies in the Russian oil & gas industry

Value

Strong financial position and sound bottom line translate into ever increasing shareholder returns with dividends per share likely to be as high as RUB 177 for the full year 2015 (+14.9% y-o-y), which offers a dividend yield of 6.9%

Our Mission

Our mission is to harness the power of natural resources for the human benefit by developing unique hydrocarbon fields in an efficient and responsible manner, ensuring business growth and contributing to the well-being of our staff within and the communities beyond in general.

Our values

1. **PERSONNEL.** Everything our Company does is done by and for the people.
2. **ENVIRONMENT AND TECHNOLOGIES.** As one of the world's largest users of natural resources, LUKOIL strictly adheres to the highest international environmental standards and is proud of its well-planned environmental management system all across the hierarchy.
3. **RESPONSIBILITY** for the human lives and natural resources entrusted with us in the regions where we operate.
4. **OPENNESS AND PARTNERSHIP** in cooperation with society and stakeholders.
5. **INTEGRITY.** True to its mission, LUKOIL does business in a fair and honest way, with respect and decency.

PJSC "LUKOIL" is the corporate center of LUKOIL Group (hereinafter also the "Group") which coordinates the operations of Group companies and promotes further development and globalization of the Group's business.

It focuses on coordination and management of subsidiaries in terms of organizational set-up, investments and financial operations.

To this end, the corporate center aims to maximize the transparency of decision-making processes within the Group, to ensure shareholder protection and to enhance the investment appeal of PJSC "LUKOIL" generally.

About this Report

PJSC "LUKOIL" annual report presents key information on the Company's and Group's overall performance in 2015 by business area, as well as growth strategy and corporate governance. The report complies with the requirements of the Russian securities market regulations and recommendations of the Corporate Governance Code based on the Group's consolidated financial statements under IFRS.

For more information on the Group's production assets and operating results for the past five years, please see our **Fact Book**.

Figures related to the Group's business activities are presented in our **Analyst Databook**.

Extended information on the Company's sustainable development in Russia can be found in our **Sustainability Report**.

To view these reports, please visit the Company's website at:

http://www.lukoil.ru/realms/investor/default_6_.html

To order free printed versions of the reports, please fill in the relevant form on the Company's website.

Feedback

You are welcome to send any comments and/or suggestions as regards the Group's reports to our IR e-mail. Feedback from the shareholders and other stakeholders helps us improve information transparency and enhance the reporting quality.

Contact information is presented at the end of the report.

Forward-looking statements

- Some of the statements made in this report are not statements of fact, but rather represent forward-looking statements. These statements include, specifically:
 - ▶ plans and forecasts relating to income, profits (losses), earnings (losses) per share, dividends, capital structure, other financial indicators and ratios;
 - ▶ the plans, goals and objectives of PJSC "LUKOIL", including those related to products and services;
 - ▶ future economic indicators;
 - ▶ the prerequisites on which the statements are based.
- Words such as "believes", "expects", "assumes", "plans", "intends", "anticipates" and others are used in those cases when we are talking about forward-looking statements. However, the proposed options for solving the problems included in the statements are neither singular nor exclusive.
- Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements.

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REFERENCE INFORMATION

Our 2015 Highlights

107 MLNT
CRUDE OIL PRODUCTION
GROWTH (+3.6% Y-0-Y)

8.2
NELSON INDEX
(7.6 IN 2014)

6.9%
DIVIDEND YIELD

248 BLN RUB
FREE CASH FLOW
(2.5-FOLD GROWTH Y-0-Y)

LUKOIL's assets around the world

1%
OF PROVED OIL
RESERVES

2%
OF CRUDE OIL
PRODUCTION

2%
OF CRUDE OIL
REFINING

LUKOIL's assets in Russia

12%
OF PROVED OIL
RESERVES

16%
OF CRUDE OIL
PRODUCTION

15%
OF CRUDE OIL
REFINING

Key events of 2015

p. 43
DEVELOPMENT OF HIGH-
PRIORITY PROJECTS

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NEW OPPORTUNITIES
IN EASTERN SIBERIA

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COMPLETION OF
THE UPGRADE CYCLE

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COMPLETION OF THE CAPACITY
SUPPLY AGREEMENT PROGRAM

President's / Chairman of the Management Committee's Statement to Shareholders

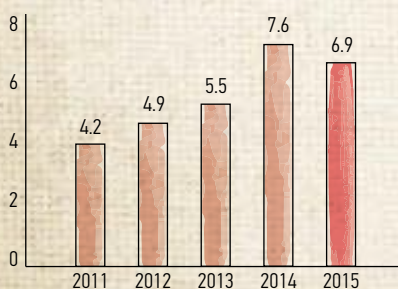
TIME-TESTED RELIABILITY



Vagit Alekperov

President of PJSC "LUKOIL",
Chairman of the Management Committee

Dividend yield,¹ %



¹ Dividend yield is calculated based on the recommendation of the Board of Directors to pay dividends of RUB 177 per share for 2015 and the average market price of PJSC "LUKOIL" shares on the Moscow Exchange during 2015.

Dear Shareholders and Investors,

2016 marks a milestone in our Company's history, as we celebrate 25 years since its founding. Over the last quarter of a century, we have successfully built a flexible and effective business model, which has proved resilient in turbulent markets and volatile financial environments. The Company has successfully proved its resilience more than once. Over the passing years, together with you we have boosted the value and the scale of the assets which we started with. Today, the Company ranks high among the world's largest oil & gas companies, success underpinned by the professionalism and commitment of our international workforce, the expertise and flexibility of our management team, our superior assets, and the advanced technologies we use to manage them.

2015 posed a new challenge for the Company, one which we have successfully overcome. Despite the continued decline in hydrocarbon prices, the Company met the key production targets set for 2015 in our plans, budget and capex program. We have achieved a 3.6% growth in the crude oil production, while generating stable returns for shareholders through improvements to our financial discipline. We generated a strong free cash flow of RUB 248 billion, supplemented with proceeds of over RUB 100 billion from asset disposals, including through the optimization of distribution assets in Estonia and Ukraine and production assets in Kazakhstan. Our net income was RUB 291 billion, dividend yield may rise to 6.9%.

As we enter a challenging 2016, we have a robust action program. This program is underpinned by high-quality resource base, our flexible investment strategy, strong balance sheet, and effective cash flow management. Well-positioned to weather the ongoing period of low oil prices, all our key priority projects will be delivered on time and on budget. We are well positioned to weather the ongoing period of low oil prices. The strategic capex cycle initiated five years ago is nearing its end. In 2015 alone, over \$3 billion worth of fixed assets were put into operation in our oil refining business. Specifically, we commissioned hydrocracking facilities in Burgas, catalytic cracking facilities in Nizhny Novgorod, a coking unit in Perm, and a crude distillation unit in Volgograd. With these projects coming on line, the Company will further consolidate its leadership in the Russian petroleum products market.

Our key focus is to ensure financial stability and a reasonable balance between shareholders' current returns and long-term capex requirements. In 2015, we continued to maintain a comfortable leverage, with the net debt-to-equity ratio coming down to 18.7%, and capital expenditures reduced by 0.6%. In 2016, we will continue to focus on optimization and efficiency improvements, as we plan to reduce capital expenditures and reallocate investments in favor of E&P segment.

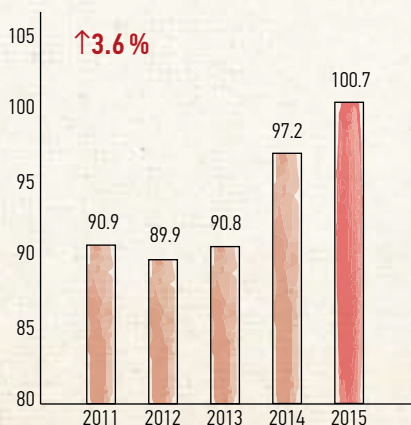
In 2016, we expect to launch a number of key priority production projects, including the Filanovsky field (in the Russian sector of the Caspian Sea bed) and the Pyakyakhinskoye field (the Bolshekhetskaya Depression in Western Siberia). As these projects come on stream, we are expecting that our E&P segment’s performance will be sustained, and the revenue generated from these assets, will bring economic benefits to the Company for years to come.

In economically turbulent times, it is vital to maintain a commitment to cost reduction, while at the same time ensuring sustainable growth for the Group and maintaining an increased focus on safety and environment. Today, all LUKOIL Group’s entities are compliant with the relevant international standards, ensuring high performance on industrial safety and environmental protection. In 2015, LUKOIL Group’s APG flaring was down 18% from 2014 as new infrastructure and APG utilization facilities were coming on line in the Urals, Volga and Timan-Pechora regions. The Group’s overall APG utilization level has reached 92%. We set a target of bringing this level to 95% in the near term.

Our 2015 results have once again demonstrated the Company’s ability to deliver high returns for our shareholders and investors. This allows us to retain our position as a company that looks into the future with confidence, ready to take on the challenges of 2016. We will continue making investments in local projects, goods, and services in the regions where we operate, creating jobs and generating income for local communities. To avoid adverse scenarios we maintain an ongoing dialogue with all stakeholders to make sure we understand their expectations and factor them into our plans.

I want to assure you that we will make every effort to meet expectations. We remain committed to the continued and sustainable growth of our business.

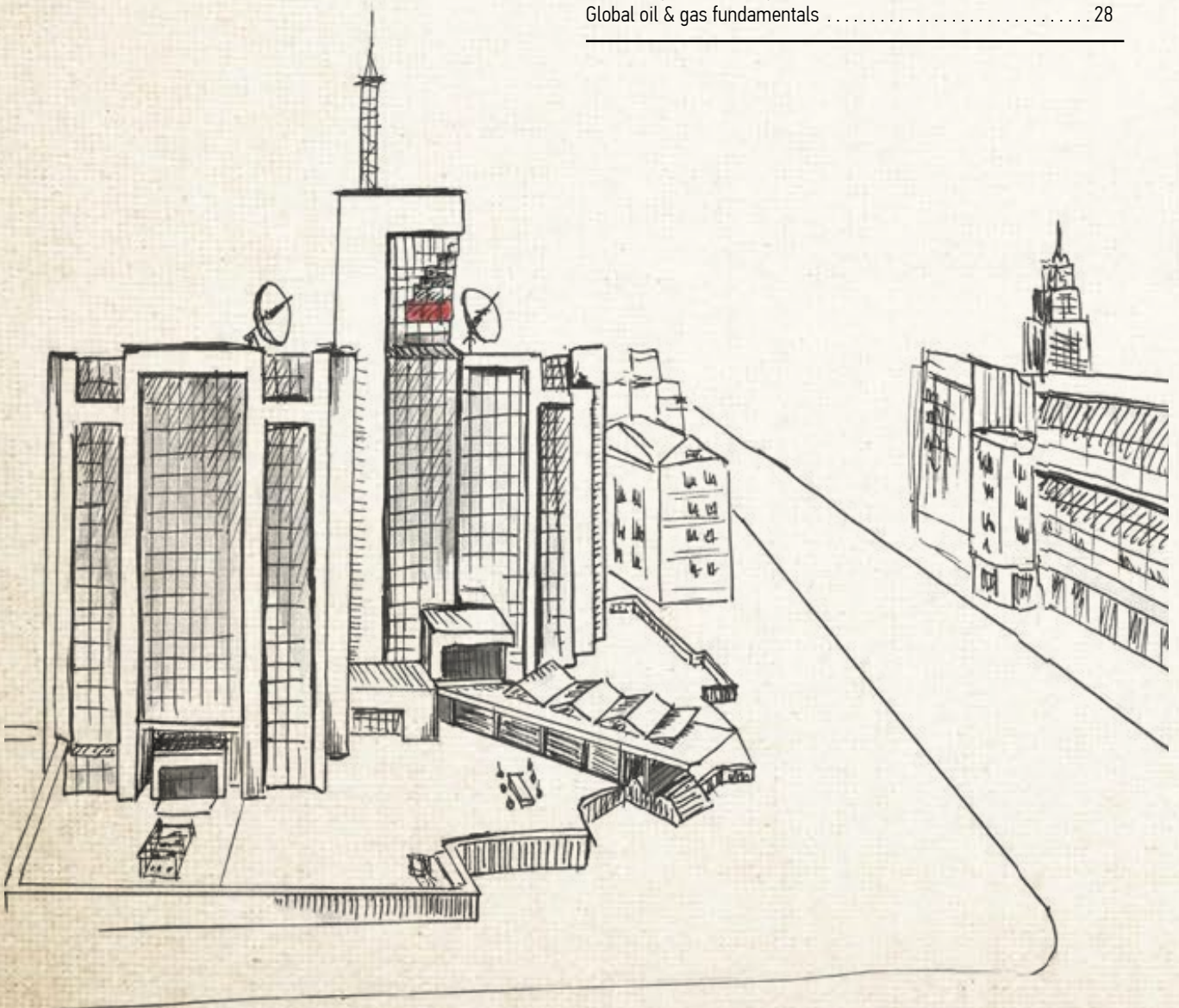
Crude oil production, million tonnes





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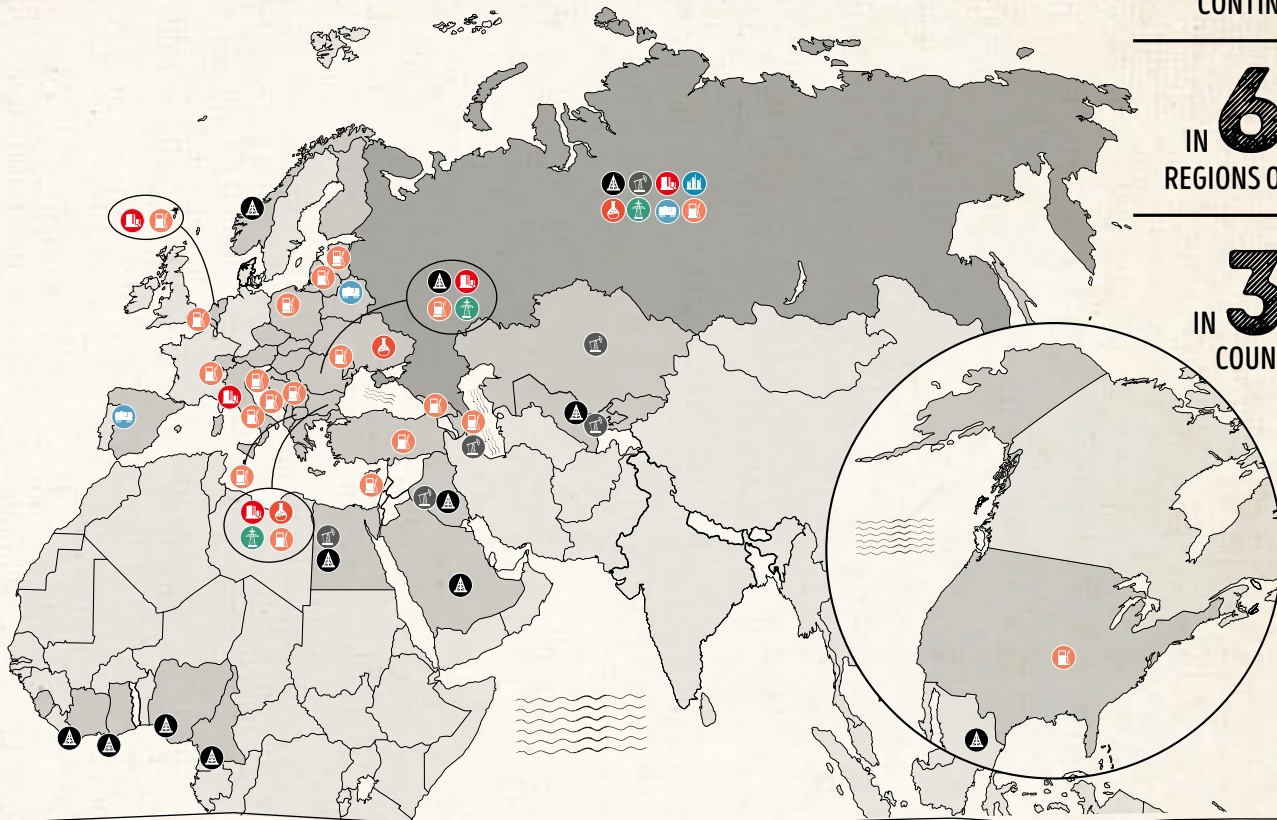
LUKOIL on a global scale

A WELL-DIVERSIFIED ASSET PORTFOLIO HELPS MITIGATE RISKS

WE DO BUSINESS ON **4** CONTINENTS

IN **63** REGIONS OF RUSSIA

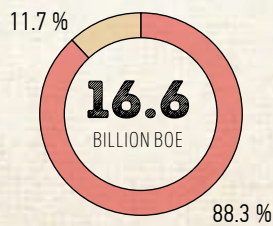
IN **35** COUNTRIES



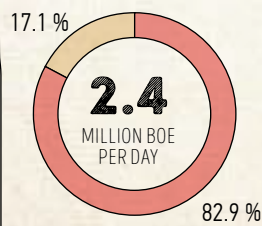
- | | | | | | | | | | |
|---------------|--|-------------------|--|-----------------|--|------------|--|----------------|--|
| 1. Azerbaijan | | 9. Egypt | | 17. Lithuania | | 25. Russia | | 32. Ukraine | |
| 2. Belarus | | 10. Iraq | | 18. Luxembourg | | | | 33. Finland | |
| 3. Belgium | | 11. Spain | | 19. Mexico | | | | 34. Croatia | |
| 4. Bulgaria | | 12. Italy | | 20. Macedonia | | | | 35. Montenegro | |
| 5. Ghana | | 13. Kazakhstan | | 21. Moldova | | | | | |
| 6. Cameroon | | 14. Cameroon | | 22. Netherlands | | | | | |
| 7. Nigeria | | 15. Cote d'Ivoire | | 23. Norway | | | | | |
| 8. Georgia | | 16. Latvia | | 24. Poland | | | | | |

Exploration Production Oil Refining Gas Processing Petrochemicals Power Generation Marketing Transhipment

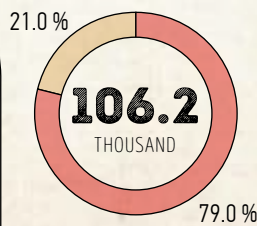
Proved hydrocarbon reserves as at 31 December 2015



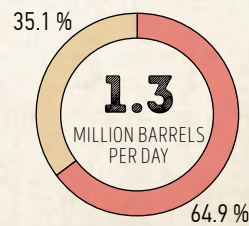
Production of marketable hydrocarbons



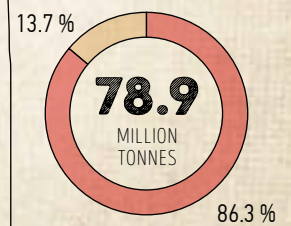
Headcount



Oil refining



Crude oil sales to third parties



Russia
 International projects

Export
 Internal market

* The map shows the Group's major production assets as at 31.12.2015.

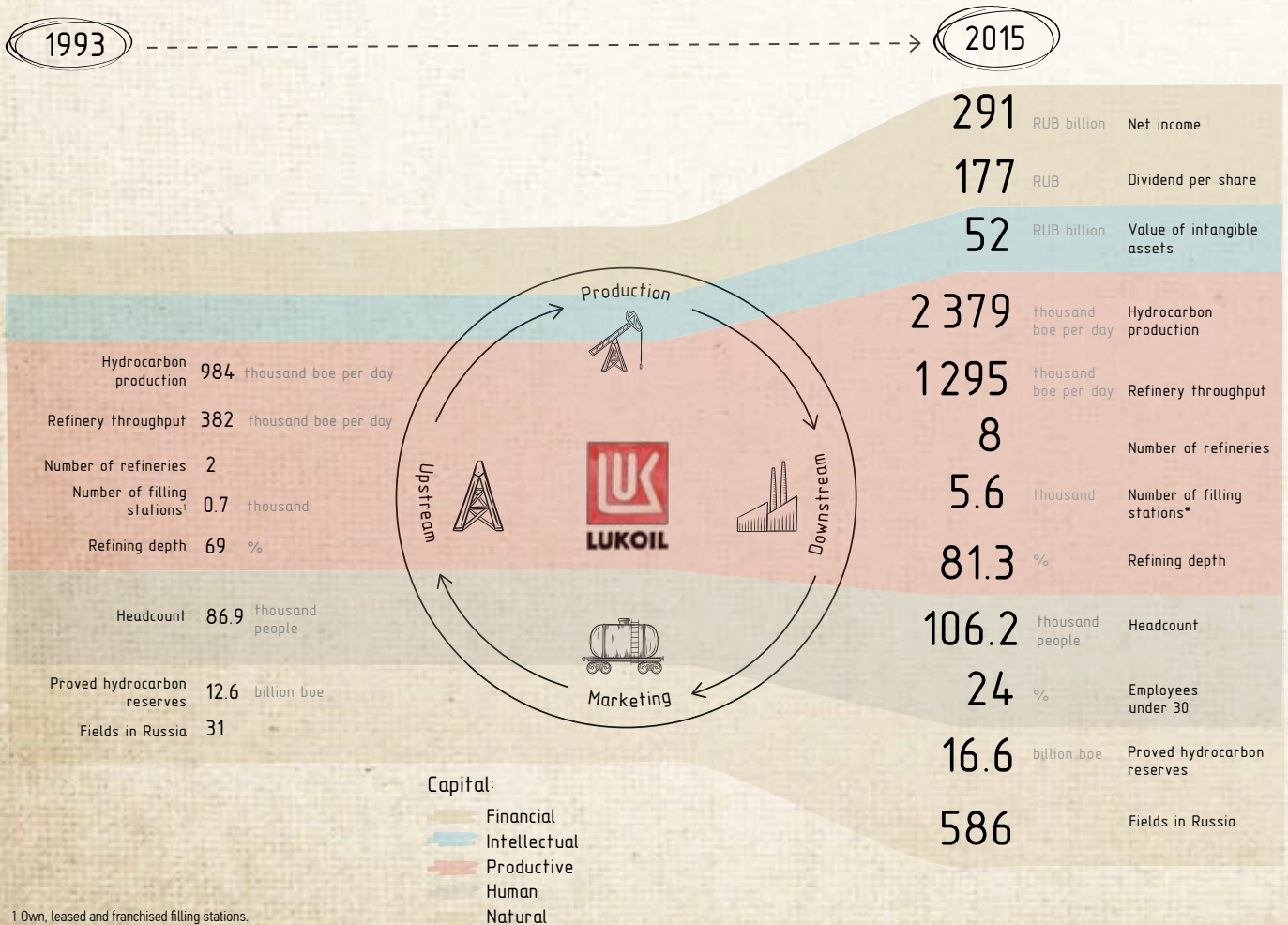
Business model

HIGH RESILIENCE TO EXTERNAL SHOCKS DUE TO VERTICAL INTEGRATION

Conscious of the scale and significance of its activities in the countries and regions where it operates, LUKOIL Group grows its business in a sustainable way, increasing its value for shareholders, a wide range of stakeholders, and the Russian public in general. By delivering energy the Group contributes to economic development, job creation, investment flows, infrastructure development, and improved quality of life for millions of consumers. LUKOIL Group's mission lies at the heart of its business model which was built to ensure successful achievement of its strategic goals.

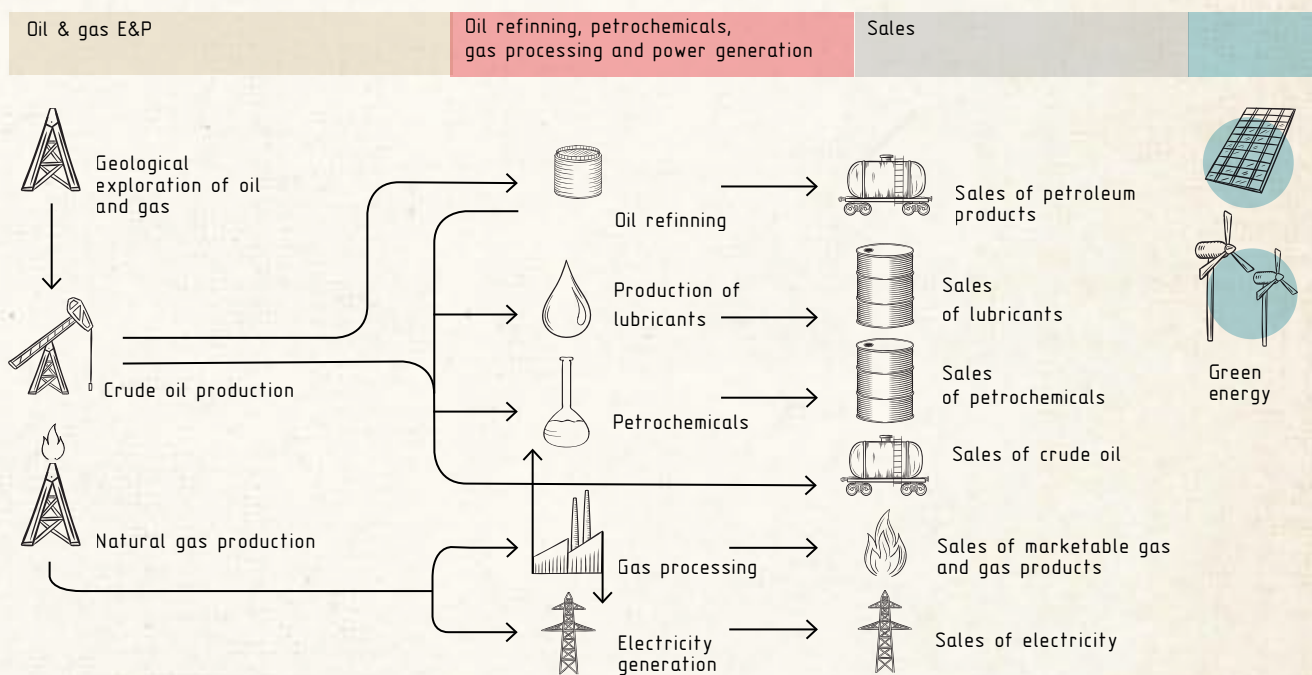
The Company's vertically integrated business model, which was developed 25 years ago, has proved resilient in most turbulent markets and volatile financial environment. The Company weathered the hyperinflation and restrictions on exports from Russia in 1993–1994, the 1998 default on government bonds, the 2008–2009 global economic crisis, and the ongoing commodity market crisis of 2014–2015, and succeeded in boosting its assets, creating more value for shareholders and other stakeholders.

The full production cycle, from geological exploration to satisfaction of the needs of most demanding customers, helps LUKOIL Group to mitigate risks, cut inter-segment costs and reduce the dependence on external business environment.



The Group's vertically integrated business model covers the entire range of our activities from exploration for reserves to sales of finished products to end consumers. The Group boasts a diversified portfolio of assets, which helps mitigate risks in the challenging economic environment, further complicated by ongoing changes in tax regulation.

The group-wide integration improves the Company's competitive advantages and efficiencies through the use of single corporate standards, environmental and social responsibility practices, and technologies. We look at every value chain element at the global oil & gas markets as an opportunity to boost our assets. The Group takes care of the environment where it operates, taking responsibility for ensuring continued growth of its business in a sustainable way.



Upstream	Downstream	Transportation and marketing
<ul style="list-style-type: none"> • 26.5 billion boe of 3P reserves • 2.4 million boe of daily marketable hydrocarbons production <p>The process starts with obtaining subsoil licenses and upgrading the license portfolio. During the next step, at the exploration stage, value is created through converting resources to reserves. This is followed by the development of proved reserves, with production of hydrocarbons.</p>	<ul style="list-style-type: none"> • 8 refineries, 2 mini-refineries (64.5 million tonnes of oil refined) • 3 gas processing plants (GPPs) (3.7 billion m³ of gas processed) • 3 petrochemical plants (1.1 million tonnes of products manufactured) • 6 generating companies (17.8 billion kilowatt-hours of energy generated) <p>By leveraging its 25-year long track record underpinned by the expertise of generations of industry experts and high-tech production assets, LUKOIL Group delivers added value through refining and processing of extracted hydrocarbons, producing high-quality products for both end users and wholesalers.</p>	<ul style="list-style-type: none"> • 4 own transshipment terminals (7.6 million tonnes of crude oil exported in 2015) • 5.6 thousand filling stations (the daily average sales per station amounted to 9.5 tonnes) <p>Taking full advantage of its own transport infrastructure and sales assets, the Group delivers added value through flexible adjustments to changing economic environment and market conditions.</p>

Our History

LUKOIL - FIVE FIVE-YEAR PERIODS OF GROWTH

Oil company LUKOIL counts its foundation from 25 November 1991, when the Russian Government passed its Directive On the Establishment of Oil Group LANGEPASURAYKOGALYMNEFT (LUKOIL). It was in the very beginning of the 1990s, an extremely challenging period in the history of Russia when the Soviet economy, including its oil industry, was falling apart. The management team comprising the Company's founders and led by Vagit Alekperov was among those who weathered the shocks of the industry disintegration. As early as at this first turbulent stage, they successfully solved a number of fundamental priority tasks, while in the years that followed they kept designing ways to build and continuously develop a vertically integrated oil corporation, the first in the history of post-Soviet Russia.

Today, a quarter of a century later, having survived the economic upheavals and subsequent economic crisis, LUKOIL has successfully embarked on the path of sustainable development, becoming a leader of the Russian and global energy community.

The First Five Year-Period: 1991-1995

On the eve of the collapse of the Soviet Union, with the future of Russia and its economy hanging in balance, the oil & gas industry had to make hard choices about what path to take. One of the views shared by many in the oil & gas community and first voiced by Vagit Alekperov, then First Deputy Minister of the Oil and Gas Industry of the USSR, was that the industry players needed to join forces to withstand the shocks together and find ways to continue and adapt operations to the new environment of a market economy.

Global experience showed that this form of business conduct was the most efficient way to organize oil business and capital. Thus, he came up with a concept of launching Russia's first vertically integrated company that would incorporate all process chain links. His associates and like-minded supporters from among heads of Western Siberian oil companies included, among others, Ravil Maganov, General Director of Langepasneftegaz; Aleksandr Putilov, General Director of Urayneftegaz; and Vitaly Shmidt, General Director of Kogalymneftegaz. Among major Russian oil refineries, it was Volgograd Refinery and Perm Refinery that volunteered to join the Group.

Directive No. 18 On the Establishment of Oil Group LANGEPASURAYKOGALYMNEFT (LUKOIL) by the Russian Government was signed on 25 November 1991. The Company's name was formed from the initial letters of the names of those oil-producing companies that made up the Group, i.e. L.U.K. plus the English "oil".

On 13 December 1991, 17 days after the publication of the above Directive, the Group's Board approved the appointment of Vagit Alekperov as the Company's President. It was as soon as on the second day of the new year, 1992, that he issued his first orders: No. 1 on his taking the office of the Group's President, and No. 2 on appointments of: Valery Grayfer, Vitaly Lesnichy, Albert Galustov and Aleksandr Smirnov as the Group's Executive Directors.

Companies of the Group instructed the Moscow-based holding company to manage their assets. From legal standpoint, orders of the Group's Board were not binding on the Group's companies as at that time they were "economically independent". It was all fully based on trust. It was with good reason that the LUKOIL Is One Family slogan appeared at that time. Only in the context of such trustful unity there could emerge a company with no strong "administrative resource" or government support.

25.11.1991

Russian Government passed its Directive No. 18 On the Establishment of Oil Group LANGEPASURAYKOGALYMNEFT (LUKOIL).

13.12.1991

Vagit Alekperov approved as the Company's President.

Second half
1992

Launch of the Company's first new oil fields, Vostochno-Pridorozhnoye and Gribnoye.

Presidential Decree № 1403 On Measures to Stabilize the Operation of the Russian Federation Industry in 1992 issued by Russian President Boris Yeltsin on 20 February 1992 was actually introducing a state of emergency. During 1992, the Russian oil industry saw an accelerating increase in idle wells, with production drilling and well commissioning rates spiralling down. As a result, crude oil and condensate output in 1992 was 399.5 million tonnes, representing an abrupt decline by 116.4 million tonnes from 1990.

During that difficult period, the Company’s management was using all means and resources available to mostly ensure uninterrupted operation of the Group’s entities and mobilize their teams’ efforts to address the unavoidable problems of transition. A key highlight of the second half of 1992 was Kogalymneftegaz’ team successfully launching production at the Company’s first new oil fields, Vostochno-Pridorozhnoye and Gribnoye.

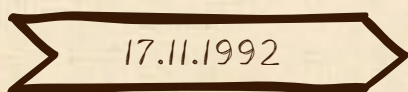


On 17 November 1992, the Russian President signed Presidential Decree On Specific Features of Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial and Research and Production Associations in the Oil and Oil Refining

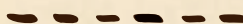
Industries and Oil Product Supply. Appendix No. 2 to the Decree contained a list of 18 companies and entities that comprised LUKOIL Group. After incorporation documents had been filed with, and examined by, relevant authorities, the Russian Government passed its Directive No. 299 of 5 April 1993, On Incorporation of Open Joint Stock Company “Oil Company ‘LUKOIL’”. The Directive provided a full organizational, financial and operational framework for the Company to operate as a legally approved vertically integrated structure. Key documents were promptly drafted and approved to build a framework that helped to considerably streamline the management decision-making and follow-up process by minimising time losses and shutting off weak proposals and initiatives.

No adequate financial resources were available at the time to support normal operation of oil & gas companies due to the economic turmoil in Russia. With the national banking sector still in its infancy, LUKOIL was the first Russian oil company to tap the international debt market.

The early 1994 was a challenging period for the new Russia and for the entire national oil & gas industry. The implementation of Presidential Decree On Government Support for the Oil Industry issued by the Russian President on 22 December 1993 met with considerable obstacles. The political and economic instability, payment crisis and adverse investment climate were aggravated by the lack of solvent demand which abruptly came into focus in the country, with payment delays by counterparties and delayed or incomplete supplies of oil products becoming a new reality. To handle this complex issue LUKOIL started entering into bilateral cooperation agreements with both Russian regions and major Russian industrial businesses.



Presidential Decree determined a list of 18 companies and entities that comprised LUKOIL Group.



- LUKOIL was the first Russian oil company to tap the international debt market.
- LUKOIL set up the industry’s first charitable foundation.

On the other hand, with this uneasy transition of Russia to a market economy, the Company could not fail to expand into CIS and Baltic countries, later entering new sales markets in Eastern European and other countries. In September 1993, LUKOIL and the State Oil Company of the Azerbaijan Republic signed their first cooperation agreement, and the following year LUKOIL joined an international project for the development of the major oil deposit of Azeri-Chirag-Guneshli in the Azeri sector of the Caspian Sea. Later, the Group set up such joint ventures LUKAgip with Agip S. L. A, a leading Italian corporation, and Kumkol with State Company Yuzhneftegas (Kazakhstan).

This natural business expansion drive was underpinned by the idea of building, within the CIS and beyond, a sustainable community that would share common economic interests in such pivotal sector as energy.

The first stage of the Company's privatization was completed in June 1994. Its results were quite impressive: over two hundred thousand Russians from across 76 Russian regions became shareholders in the Company. The "check auctions" resulted in about three million privatization vouchers received by the Company in payment for shares. Interestingly, at this early stage the process was already joined by a number of foreign financial organizations, including CS First Boston, a transnational investment bank.

On 1 September 1995, the Russian Government issued its Directive No. 861 On Improving the Structure of Joint-Stock Company "Oil Company 'LUKOIL'" under which the Company's shares were exchanged for shares in such joint-stock companies as Nizhnevolzhskneft, Permneft, Kaliningradmorneftegaz, Astrakhanneft, Kaliningradtorgmorneftegaz, Astrakhannefteprodukt, Volgogradneft eproduktavtomatika, Rostovneftekhimproekt, and Uray Specialized Assembly and Commissioning Department.

In early 1995, the Company's management developed a program for LUKOIL Group to adopt a "unified share". At that time, shares in its five core entities were separately traded in the stock market: Langepasneftegaz, Urayneftegaz, Kogalymneftegaz, and Perm and

Volgograd Refineries. This variety of stocks of the same company impeded relations with potential investors, and the transition to a unified share backed by all assets of the Company was the only solution to the problem. At that time, no Russian oil company tried to carry out such transformation.

Presidential Decree No. 327 On Priority Measures to Improve Operations of Oil Companies issued by the Russian President on 1 April 1995 authorized the introduction of a unified share. A unified share of a major Russian oil company appearing in the stock market made it a blue chip. With strong investor appetite for its stocks, LUKOIL could now raise considerable amounts in the stock market, while the Government could profit by selling shareholdings in the Company at higher prices.

In 1995, in a telling recognition of the Company's enhanced business profile in the global market, LUKOIL became the first Russian company to be authorized by the SEC to issue Level 1 American Depositary Receipts (ADR) for the U.S. stock market, with The Bank of New York acting as a depository. In the same year, US-based Atlantic Richfield Company became a major shareholder in the Company by acquiring 7.99% of its shares.

Another milestone in the Company's first five-year period was becoming the first Russian energy company to really start conducting business in a socially responsible way. This was demonstrated when LUKOIL set up the industry's first charitable foundation focusing its social and charitable efforts on fulfilling moral duty to the past generations of Russians who have left us an invaluable cultural legacy and on building the future for Russia. In its turn, the launch of the International Association of Trade Union Organizations of LUKOIL Group in March 1994 marked a fundamentally new level of social dialogue between the Company's management and its employees.

1993-1994

- In 1993 LUKOIL and the State Oil Company of the Azerbaijan Republic signed their first cooperation agreement.
- In 1994 LUKOIL joined an international project for the development of the major oil deposit of Azeri-Chirag-Guneshli.

March 1994

Launch of the International Association of Trade Union Organizations of LUKOIL Group.

1995

- A unified share of LUKOIL appearing in the stock market made it a blue chip.
- LUKOIL became the first Russian company to be authorized by the SEC to issue Level 1 American Depositary Receipts (ADR).
- US-based Atlantic Richfield Company became a shareholder of the Company (7.99% of shares).

Leading the Way in Efficiency: 1996–2000

In the second half of the 1990s, with a challenging and highly uncertain economic situation in the country, LUKOIL's management set its sights on enhancing the Company's competitive edge across all lines of business to achieve a leading position in the oil & gas industry. The management made a determined effort to review the goals and performance criteria of the Company's financial and economic activity. The Company focused on gradually moving away from traditional gross, quantitative and volume-based indicators to using mostly key performance indicators (such as profitability, yield, etc.). Building up commercial hydrocarbon reserves was set as a priority for supporting sustainable growth. In 1996, LUKOIL became the first Russian company to publish the results of a full audit of its hydrocarbon reserves in Russia, estimated under international standards by Miller & Lents (US). As of early 1997, the Company's proved oil reserves stood at 1.5 billion tonnes, while all reserve categories (including probable and possible) were estimated at 2.7 billion tonnes.

Given the requirements and conditions for enhancing performance and the need to compensate for the falling crude production in Western Siberia, LUKOIL's management decided to set up and develop going forward a new resource base in the Timan-Pechora oil and gas province in the north of Russia. As Arkhangelskgeoldobycha, Nobel Oil, Parmaneft and KomiTEK joined LUKOIL Group one after another, the Group became well-positioned to tackle this task. On 25 April 2000, LUKOIL adopted its large-scale integrated program to develop oil production in the north of the European part of Russia.

By adopting an investment analysis and project financing system used by most foreign oil & gas majors the Company made an important step towards achieving efficiency gains.

The new approach was convincingly proven by a program to build a tanker fleet, developed and successfully implemented by the Company as part of its efforts to introduce an effective logistics system supporting transportation of oil and petroleum products by company-owned oil tankers. The first tanker, the Kogalym, was

launched at Kherson Shipyard on 16 November 1996. It was followed by tankers of the same type, Langepas and Uray, used to ship oil and petroleum products to consumers in the Black and Mediterranean Seas. The North Procurement federal program, and high-potential oil development projects implemented in Timan-Pechora required enhanced ice-class tankers, and LUKOIL solved this complex task by leveraging own resources and capabilities.



In the second five-year period of the Company's history, its performance improvement drive required a considerable increase in the Company's transnational operations. In April 1996, the Company acquired a 5% interest in the international gas project Shah Deniz in the Azeri sector of the Caspian Sea, and in January 1997 it acquired from Chevron a 5% interest in an oil development and production project at one of the world's largest oil fields, Tengiz, in Kazakhstan. After the Caspian Pipeline Consortium was reorganized, the Company's stake in a project for the construction of Tengiz (Kazakhstan) –Novorossiysk (Russia) transcontinental oil pipeline totalled 12.5%. In March 1997, the Company signed a contract with the Iraq Ministry of Oil to develop the West Qurna-2 oil field. LUKOIL, however, was unable to start the project within agreed timelines due to international sanctions against Iraq. In that same year, the Company acquired a 15% interest in a consortium for the development of Karachaganak oil and gas field in Kazakhstan, and a 60% interest in a project for oil development and production at the D-222 field (Yalama) in the Caspian Sea.

April 1996

The Company acquired a 5% interest in the international gas project Shah Deniz in the Azeri sector of the Caspian Sea.

16.11.1996

The first tanker, the Kogalym, was launched at Kherson Shipyard.

April 1997

The Company completed a placement of its convertible bonds on the London Stock Exchange.



In spring 1997, LUKOIL's Board of Directors first examined and adopted the Strategic Concept for the Company's Development until 2005 as a goal-setting framework for sustainable growth, which was to be supported by balanced efforts to address social and economic problems, as well as the issues related to conservation and sustainable use of natural resources.

In April 1997, the Company completed a placement of its convertible bonds on the London Stock Exchange, and issued global depository receipts for the Company's shares. The proceeds from the bond placement were used to fund the Company's capex projects in Russia.

The first filling station launched by the Company in Virginia (US) on 28 July 1997 hit the headlines in Russian and foreign media. In recognition of LUKOIL's strong performance in the global oil market, on 9 July 1998, in New York, the Company's President, Vagit Alekperov, was given the prestigious International Award of East-West Research Institute for achievements in leading economic transformations. In December 2000, the Company entered the US retail petroleum products market by closing the deal to acquire Getty Petroleum Marketing Inc, operating over a thousand filling stations in thirteen states in the US Northeast.

The decision of the Company's management to invest in the acquisition of oil refining assets was driven by its longer-term focus on the performance of its foreign businesses its foreign businesses. In 1998, the Company acquired a controlling interest (51%) in Petrotel, a Romanian refinery with an annual capacity of 4.7 million tonnes. The following year, LUKOIL signed an agreement for the acquisition of a 50% interest in Neftohim, a petrochemical facility in Burgas, Bulgaria, comprising an oil refining facility, a petrochemical facility and a polymer factory. In May 2000, LUKOIL gained control over Odessa Refinery in Ukraine. By further implementing its programs for the development of foreign oil refineries, the Company boosted its output of high-quality petroleum products in Europe, while streamlining secondary processes through inter-refinery cooperation.

Another important business performance driver was added when in 2002 the Company first prepared and published its consolidated financial statements under the US Generally Accepted Accounting Principles (US GAAP) for 2001 and 2000, thereby ultimately adopting international financial reporting standards while enhancing its corporate transparency and equity story.

In late March 2000, the Company discovered commercial hydrocarbon reserves at the Khvalynskaya structure of the Severny licence area in the Caspian Sea, with this discovery crowning the second five-year period in the corporate history. The Company's Astra jack-up rig was used for drilling. On 21 June 2000, Vladimir Putin, the President of the Russian Federation, sent his congratulations to LUKOIL Group on its discovery of oil reserves in the north of the Caspian Sea, highlighting the following: "The professionalism and excellence of the Russian oil company LUKOIL which conducted the drilling has enabled us to make a decisive step in tapping hydrocarbon reserves of the region. I am convinced that this will not only benefit the development of the Russian South, but will also strengthen Russia's geopolitical influence in the Caspian region." The Company soon delivered on these high expectations by discovering a rich oil and gas condensate field, Yuri Korchagin, in the Severny licence area of the Caspian Sea.

1998-1999

- The Company acquired a controlling interest (51%) in Petrotel, a Romanian refinery with an annual capacity of 4.7 million tonnes.
- LUKOIL signed an agreement for the acquisition of a 50% interest in Burgas Refinery.

2000

Discovery of a rich oil and gas condensate field, Yuri Korchagin, in the Severny licence area of the Caspian Sea.

25.04.2000

LUKOIL adopted its large-scale integrated program to develop oil production in the north of the European part of Russia.

During that same year, it was LUKOIL's subsidiary, Kaliningradmorneft, that picked up this "relay baton" by announcing that it began developing the Kravtsovskoye field (D-6) at the Baltic Sea shelf.

Priorities of the Innovation Approach: 2001–2005

In the beginning of the new 21st century, LUKOIL published its corporate mission – to become a leader among global energy majors in promoting the interests of society, consumers, shareholders and employees.

At that stage, the Company's research and development centers, strategic development units, and patenting and licensing entities started playing a major role in implementing the company-wide corporate policy as vital elements to make the Company highly competitive in the global market. It was the efficient use of breakthrough innovative research, design and engineering knowledge that had provided LUKOIL Group with an innovative foothold for achieving world-class research and technology capabilities to support both efficient development of tight oil reserves, and build up new highly productive reserves, as well as to increase oil refining depth while maintaining the high standards of occupational health and safety and environmental protection.

In the third five-year period of its corporate history, the Company, together with PetroAlliance, set up a global corporate information system for hydrocarbon exploration and development to make a substantial contribution to the development of an innovation-driven growth model for LUKOIL. This system enabled the Company early on to considerably improve the efficiency of using geological information resources and expand the scope of application of computer modelling and electronic cartography. It enabled more active application of such methods as 3D seismic subsurface

exploration, as well as monitoring and streamlining of field development processes. The Company's headquarters has access to all necessary information. These efforts ensured full information transparency of all business processes related to field exploration and development across the Group's geography, both in Russia and beyond.

As part of its innovation-driven growth model, the Company developed an effective environmental management system, which was certified to ISO 14001 in 2001. Its eight pillars are subprograms "Clean Air", "Clean Water", "Waste", "Reclamation", "Accident Suppression and Avoidance", "Research and Experimental Activities", "Ecological Management", and "Ecological Monitoring".

Its provisions were developed in strict compliance with the National Security Concept of the Russian Federation, which points out that Russia's national interests can only be secured through sustainable economic development, and environment conservation and improvement, and in compliance with the Ecological Doctrine of the Russian Federation, which is focused on sustainable use of renewable, and rational use of non-renewable, natural resources.

In 2002, the Company broke the mold when it became the first Russian major ever to draft a Social Code, which was an innovative solution to building its corporate social strategy across its Russian assets while taking into account the Company's international operations. The Code was based on the results of a critical analysis of relevant global and national experience. The Code also captures the requirements of SA international standard Social Accountability.

The international business community recognized this innovative development trend, as seen from the fact that in August 2002 LUKOIL became the first Russian company to achieve full secondary listing on the London Stock Exchange when its stocks were included in the Official List of the UK Listing Authority (UCLA). LUKOIL listed all of its ordinary shares and ADRs. In December 2002, the Project Privatization Company acting on behalf of the Russian Federal Property Fund launched depositary receipt program for OJSC LUKOIL's shares on the London Stock Exchange.

2001

- The Company, together with PetroAlliance, set up a global corporate information system for hydrocarbon exploration and development.
- LUKOIL mission – to become a leader among global energy majors in promoting the interests of society, consumers, shareholders and employees.
- The Company's environmental management system was certified to ISO 14001.

2002

The Company became the first Russian major ever to draft a Social Code. It determined LUKOIL corporate social strategy across its Russian assets while taking into account the Company's international operations.

12.5 million ADRs were offered for sale, with each ADR equivalent to four ordinary shares in the Company (5.9% of the total number of shares). The offering price was \$15.5 per share, with a total of \$775 million raised for the entire stake.

Another event that witnessed the growing recognition of the Company's competitive potential and was extensively covered by international media was the opening ceremony for the Company's first filling station operating under LUKOIL brand and launched in the very heart of New York City on 26 September 2003. The ceremony was attended by Russian President Vladimir Putin.



Another event that marked a milestone in the history of the entire Russian oil industry took place in the summer of the following year. On 20 July 2004, the Company commenced commercial production at Kravtsovskoye (D-6) field, the first Russian oil field developed on the Baltic Sea shelf. This achievement substantially enhanced Russia's economic positions in the Baltic region. The latest innovative green technologies used in the project confirmed the world-class competitive edge of the Company. The "zero discharge" drilling and oil production operations are performed from an offshore ice-resistant fixed platform constructed at the metalwork construction plant of LUKOIL-Kaliningradmorneft. This is the first production platform on the Russian shelf designed and

built by Russian designers and manufacturers. A 47 km long subsea pipeline connects the platform with onshore facilities to transport the formation product to the Romanovo oil gathering station. The processed tank oil is pumped over to the Izhevskiy integrated oil terminal via a 31.6-km long onshore underground pipeline to be then loaded into tankers.

LUKOIL Group also ensured it remained competitive in the global market through offering petroleum products refined to high European standards. This was made possible due to the preceding significant efforts to upgrade the Company's oil refineries. In particular, in April 2002, Nizhny Novgorod Refinery commissioned a high-performance catalytic reforming unit after a revamp. In July 2002, Volgograd Refinery launched three new production facilities: a KM-3 facility and advanced motor oil and construction bitumen packaging lines. It should be highlighted that the refinery was the first in Russia to start producing high-quality basic component for oils using a Chevron technology which, in its turn, enabled it to expand its product mix of premium motor and transmission oils and abandon costly imports of synthetic basic components. In September 2003, Ukhta Refinery launched a diesel fuel hydrodewaxing unit (GDS-850); and in June 2004, in Kstovo, Nizhny Novgorod Region, Nizhny Novgorod Refinery held an official launch ceremony for a catalytic reforming unit with continuous catalyst regeneration, LF-35/21-1000, which was at the time the only fourth-generation unit of that type in Russia. In September 2004, in Perm, Perm Refinery held an official ceremony to launch Russia's first new generation facility for advanced oil refining using hydrotreating and hydrocracking of a mixture of vacuum distillates and secondary components. In September 2005, in Saratov, Saratovorgsintez, which is part of LUKOIL-Neftehim petrochemical holding company, started producing sodium cyanide using DuPont technology, which enabled the Russian industry to fully abandon imports of this costly product.

The closing year of the third five-year period of innovation in the Company's history was marked by three milestones. In spring 2005, LUKOIL began its transformation from a specialized oil company into an oil & gas producing company. In April, in the Yamal-Nenets Autonomous Area, the Company held an official ceremony to launch

August 2002

LUKOIL became the first Russian company to achieve full secondary listing on the London Stock Exchange.

20.07.2004

The Company commenced commercial production at Kravtsovskoye (D-6) field, the first Russian oil field developed on the Baltic Sea shelf.

April 2005

In the Yamal-Nenets Autonomous Area, the Company held an official ceremony to launch production at the Cenomanian gas deposit of the Nakhodkinskoye oil and gas field.

production at the Cenomanian gas deposit of the Nakhodkinskoye oil and gas field. The first natural gas of was supplied into Gazprom's gas pipeline system at a metering unit near the Yamburgskaya main compressor station. In mid-2005, LUKOIL increased its shareholding in OJSC Russian Innovation Fuel and Energy Company (RITEK) to 64%. New advanced technologies and equipment developed by the Company boosted the efficiency of recovery of hard-to-recover hydrocarbons while reliably ensuring environmental safety of its oil and gas production. RITEK owns 109 items of intellectual property, including 78 patents for inventions and 25 patents for useful models. In November 2005, the Company's Management Committee decided to set up LLK International, a 100% subsidiary assigned with the managing functions to improve and develop the lubricant production and lubricant sales domestically and internationally, as well as to enhance research in this area.

Strategic Focus on Growth: 2006–2010

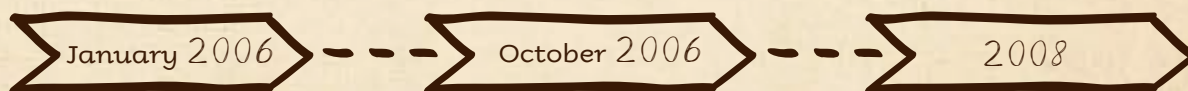
The beginning of the fourth five-year period in the Company's history was marked by another milestone. In late January 2006, the Company discovered a multilayer oil and gas condensate field at the Severny licence area in the northern part of the Caspian Sea by drilling its very first prospecting well in the area. With an impressive free inflow of light water-free low-sulphur oil with a debit and a flow rate of over 800 tonnes per day, which exceeded all expectations, this was the most outstanding achievement in the history of the oil & gas industry in post-Soviet Russia. The field was named after a famous Russian oilman, Vladimir Filanovsky. The following year, a team of the Company's executives and experts led by Vagit Alekperov was awarded the Russian Government Prize in Science and Engineering for the discovery of a new oil and gas sub-province in the Russian sector of the Caspian Sea shelf.

Maintaining its focus on higher efficiency of exports and larger capacities for supply of oil and petroleum products to West Europe, in early autumn 2015 the Company fully commissioned a Baltic petroleum product terminal on the island of Vysotsky in the Leningrad Region. Foreign experts estimate that the terminal ranks among the world's most environmentally safe marine terminals in terms of equipment and protection.

In the fourth five-year period of its history, the Company continued consolidating its leading position in the domestic sector of lubricant production. By that time, the Company's oil refineries were already producing over 40% of all lubricants output in Russia. In October 2006, Perm Refinery launched the first phase of its automated terminal for manufacturing, packaging, storage and loading of motor oils. This automated terminal had no equivalents in Russia in terms of its parameters ("process facility"). The need to construct it was due to the ever rising demand for the Company's premium motor oils. The implementation of this project cemented the Company's leadership in the Russian market of lubricants, with a focus on fully meeting the growing demand of Russian drivers for a wide range of premium motor oils.

In the foreign segment of the Company's business, it was the Khauzak gas facility launched in the Bukhara region of the Republic of Uzbekistan in late November 2007 that drew close attention of the global oil & gas community. It is a part of the Kandym-Khauzak-Shady-Kungrad gas mega-project, implemented under a Production Sharing Agreement by the Russian Company and National Holding Company Uzbekneftegaz. Its maximum annual output of natural gas is c. 11 billion cubic meters.

The commissioning of an offshore stationary ice-resistant offloading mooring in the Barents Sea in early June 2008 marked another milestone of this five-year period. The mooring is part of the Varandey Oil Export Terminal and has a throughput capacity of up to 12 million tonnes of oil per year.



The Company discovered V. Filanovsky multilayer oil and gas condensate field at the Severny licence area in the northern part of the Caspian Sea.

Perm Refinery launched the first phase of its automated terminal for manufacturing, packaging, storage and loading of motor oils. This automated terminal had no equivalents in Russia. The implementation of this project cemented the Company's leadership in the Russian market of lubricants.

- The commissioning of Varandey Oil Export Terminal, an offshore stationary ice-resistant offloading mooring in the Barents Sea with a throughput capacity of up to 12 million tonnes of oil per year.
- LUKOIL actively transforming from a Russian oil & gas company into an energy group by acquiring a stake in YuGK TGK-8.

Its environmental safety system has three levels of protection, operates in an automated mode, and guarantees 100% environmental safety on a “zero discharge” basis. Thus, LUKOIL successfully completed a major project to build a new transportation corridor for offshore exports of oil produced by the Company in Timan-Pechora.



In the last years of this fourth five-year period, LUKOIL was actively transforming from a Russian oil & gas company into a major transnational corporation, with an additional focus on such sectors as gas production and processing, and energy. In 2008, LUKOIL evolved from a hydrocarbon business into an energy group. The Company acquired a stake in YuGK TKG-8, and power and thermal plants located in the Astrakhan, Volgograd, and Rostov Regions, in the Krasnodar and Stavropol Territories and in the Republic of Daghestan. In the years that followed, these efforts were continued in other Russian regions.

The Company's management also kept a focus on its Caspian offshore projects. In autumn 2009, the Company completed the construction of oilfield facilities at the Korchagin field. An ice-resistant fixed platform was installed offshore. An offshore transshipment facility, comprising a single-point mooring and a floating oil storage unit, was assembled at a 58-km distance from the platform. The platform is connected by a subsea pipeline to the single-point mooring. In December 2009, production drilling

was started at the Korchagin field. In April 2010, LUKOIL started oil production from the field. Vladimir Putin, the then Russian Prime Minister, took part in the field commissioning ceremony.

The last year of this five-year period brought the Company a long-awaited breakthrough in the Iraq market as the new government of Iraq held a tender to develop the world's largest field, West Qurna-2. In January 2010, in an official ceremony in Baghdad the Company signed a contract for the development and production services at West Qurna-2. The document was signed by South Oil Company, a national Iraqi company, and a consortium of contractors including another national Iraqi company, North Oil Company (25%), LUKOIL (56.25%) and Norwegian Statoil ASA (18.75%). The contract's term is 20 years with a 5-year extension option. Shortly after the signing, the parties started the implementation of the project.

Always moving forward: 2011–2015

In the beginning of its fifth five-year period, the Company's team made a valuable present for the twentieth anniversary of the Company. The 1.5-billionth tonne of oil was produced in Western Siberia on 6 September 2011. A sample of this “anniversary” oil was delivered by helicopter directly from the field of the Druzhninskaya group to Kogalym, where LUKOIL's Forum for Young Professionals was held in those days.

In 2012, LUKOIL kept building a unified research and design framework driven by innovative development, new advanced in-house technologies, better design solutions, improved technical competences, and knowledge management. As part of these efforts, the Company set up two new research and engineering centers intended to bring its operations to the technology level of global energy majors. The Center of Geologic Exploration Technologies (CGET) was launched in Moscow in early June 2012 for preparation and integrated studies of promising assets located within the Company's licence areas, using cutting-edge exploration technologies and equipment. The Center was set up by the Company together with Schlumberger, a major international service corporation.

January 2010

LUKOIL signed a contract for the development and production services at the world's largest field West Qurna-2.

April 2010

LUKOIL launched oil production at the Yuri Korchagin field.

06.09.2011

The 1.5-billionth tonne of oil was produced in Western Siberia.

June 2012

The Center of Geologic Exploration Technologies (CGET) was launched in Moscow for preparation and integrated studies of promising assets located within the Company's licence areas.

The CGET's infrastructure, hardware and software enabled the Company to substantially improve the quality and reliability of geological models of its assets, including forecasts of their oil and gas potential, thus reducing geological risks and uncertainties. In four months, LUKOIL opened a new Research and Development Center in Kstovo, Nizhny Novgorod Region, to enhance the efficiency of oil refining and gas processing, improve quality of petroleum products and expand the scope of application of new resource saving technologies. The Center is equipped with advanced analytical and process facilities, operates pilot units for high-pressure hydrotreating and hydrocracking, liquid extraction, and a number of other high technologies based on LUKOIL solutions and patents.

In October 2012, LUKOIL was the first in Russia to run a test hydraulic fracturing in offshore Well No. 8 at the Filanovsky field in the northern part of the Caspian Sea. Before these improvements, the maximum oil inflow from production formation tests was only 3.7 tonnes of oil per day for this well. With fracking, its flow rate grew 20-fold. The results were used to make forecast scenarios for the development of oil reserves in the deposit in question and its commissioning with additional 44 million tonnes of reserves. In February 2013, LUKOIL became the first company in the world to adopt the counter Steam-Assisted Gravity Drainage (SAGD) method to produce heavy oils in a system of horizontal wells in the Lyaelskaya area of the Yaregskoye field in the Republic of Komi. This innovative technology enabled the Company to effectively involve over 16 million tonnes of oil in its development operations in the Lyaelskaya area alone.

In the fifth five-year period of its history, LUKOIL kept building up a strong asset base overseas. As a result of the 22nd licensing round held by the Norwegian Ministry of Oil and Energy in June 2013, the Company acquired the right to participate in two promising hydrocarbon projects on the continental shelf of the Norwegian sector of the Barents Sea. Specifically, LUKOIL Group's interest is now 30% in Area 719 (Fingerdjupet Basin), and 20% in Area 708 (Finnmark Basin).

Another milestone was achieved the following year. On 29 March 2014, LUKOIL started commercial oil production at West Qurna-2 field in Iraq, which has original oil-in-place reserves of 34 billion

barrels, including 31.1 billion barrels in Mishrif and Yamama, its two core formations. At an opening ceremony, the Company's President Vagit Alekperov announced the achievement of the planned level of production of 120 thousand barrels per day at the field. West Qurna-2 was launched on a tight schedule after unprecedented wide-scale construction efforts confirmed the Company's ability to independently manage the most sophisticated projects and substantially reinforced its position as a global energy corporation.



That same year, LUKOIL achieved a new success in Russia. On 8 October 2014, the Company commissioned its Imlorskoye field, one of the largest new fields in Western Siberia. On the back of declining oil production in the region, the development of the Imlorskoye field was strategically important for the Company's sustainability.

On 29 December 2015, at the end of its fifth five-year period, LUKOIL, for the first time in its history, passed the 100 million tonnes milestone of annual oil output. This milestone was a convincing evidence of the success of the Company's Strategic Development Program, which is focused on gaining it a well-deserved place among global energy majors by accelerating its growth and maximizing shareholder value.

October 2012

LUKOIL was the first in Russia to run a test hydraulic fracturing in offshore Well No. 8 at the Filanovsky field.

February 2013

LUKOIL became the first company in the world to adopt the counter Steam-Assisted Gravity Drainage (SAGD) method in a system of horizontal wells at the Yaregskoye field in the Republic of Komi.

08.10.2014

The Company commissioned its Imlorskoye field, one of the largest new fields in Western Siberia.

29.12.2015

LUKOIL, for the first time in its history, passed the 100 million tonnes milestone of annual oil output.

Key events of 2015

COPING WITH NEW CHALLENGES

UPSTREAM



Construction at the Pyakyakhinskoye field

The Company entered the active phase of construction for a priority project at the Bolshekhetskaya Depression, the Pyakyakhinskoye field, scheduled for launch in 2016. In particular, the Company is building a number of production and social infrastructure facilities: oil and gas treatment units; condensate deethanization and stabilization plants; head facilities and an oil delivery station for delivery of oil into the transportation system of Transneft; a field support base and a field camp. The Company continues drilling oil and gas condensate wells.



Start of early production at the Kandym Early Gas project in Uzbekistan

Test operation of two gas treatment units was started at the Northern Shady site and Kuvachi-Alat field in Uzbekistan. These units, with a combined capacity of 2.2 billion cubic meters of gas per year, will receive and process natural gas and then supply processed gas to the Mubarek Gas Processing Plant.

Timely implementation of a priority project will ensure that the Company reaches the planned production capacity level in the Bolshekhetskaya Depression.

The launch of the new facilities will enable higher gas output in Uzbekistan.



High-Priority Projects, p. 43

STRATEGIC
IMPACT

DOWNSTREAM



Assets commissioned at Perm Refinery

- In May, the Company launched the second production train of the low-temperature APG condensation and rectification unit.
- In November, LUKOIL commissioned an advanced oil refining facility and a 200 Megawatt power generating unit.



Assets commissioned at Nizhny Novgorod Refinery

The second Vacuum Gasoil Catalytic Cracking Unit was commissioned.



Assets commissioned at Volgograd Refinery

The refinery launched a crude distillation unit with a capacity of six million tonnes per year. Being the largest unit among facilities operated by the refinery, ELOU-AVT-1 is equipped with gasoline stabilization and afterfractioning units, which enables direct production of components of liquefied gases and high-octane gasoline.

Higher yields of light petroleum products (Euro-5 diesel fuel output increased by 1.1 million tonnes per year, with the production of commercial fuel oil shut down). An increase in APG use as an environmentally clean fuel at an on-site power plant.

Higher yields of light petroleum products (Euro-5 gasoline output increased by 1.1 million tonnes per year).



Completion of the Upgrade Cycle, p. 56

Improved oil refining efficiency and the refinery's capacity increased to 15.7 million tonnes of oil per year (11.3 million tonnes of oil per year as of late 2014).

STRATEGIC
IMPACT

CORPORATE RESPONSIBILITY



Oils of European quality

LUKOIL Lubricants Austria GmbH successfully passed an independent inspection audit for conformity to the standards of the German Association of the Automotive Industry (VDA) and was assigned the highest A category. Currently, LUKOIL is the only Russian company whose plant is certified to the standards of this respected German automotive association.



Collaboration with the WWF

A cooperation agreement was signed with the World Wildlife Fund for Nature (WWF). The agreement provides for bilateral consultations, working meetings, and sharing of information and data on the implementation of environmental and conservation initiatives.

Focus on high value-added products.

The cooperation with the WWF will facilitate closer engagement with stakeholders on sustainable use of natural resources.

STRATEGIC
IMPACT



New opportunities in Eastern Siberia

The Company won the tender to develop the Vostochno-Taimyrsky licence area, located in the Taimyrsky Dolgano-Nenetsky Municipal District of the Krasnoyarsk Territory. The site measures 13,800 square km, and the relevant subsoil use license is valid for 27 years

The entry into a new region will increase the geographic diversification and expand the resource base of the Company.



Reserves, p. 37



Optimizing assets in Kazakhstan

LUKOIL Group completed the sale of its 50% stake in Sinopec's Caspian Investments Resources Ltd. LUKOIL's proceeds under the deal were \$1,067 million.

The timely asset optimization in a volatile economic environment helped release extra financial resources to support priority projects.



Baltic discoveries

Three oil fields were discovered in the Baltic Sea shelf as a result of prospecting operations: D41, D33, and D6-Yuzhnoye.

A stronger resource base in the region where we have own infrastructure. The proximity to European markets, shallow depths and high quality of oil produced from the Baltic fields make even smaller fields economically viable.



Assets commissioned at the Refinery in Burgas

The refinery launched its Heavy Residue Refining Facility, comprising the main residual asphalt hydrocracking unit with a capacity of 2.5 million tonnes per year and a number of auxiliary units.

Higher yields of light petroleum products, improved energy efficiency and reduced GHG emissions.



Optimizing Distribution Assets

- In April, the Company completed the sale of distribution assets in Ukraine (240 filling stations and six oil depots) to Austrian AMIC Energy Management GmbH.
- In June, LUKOIL signed a contract to sell distribution assets in Estonia (37 filling stations) to Aqua Marina AS.

By divesting non-core distribution assets in economically unstable times, the Company released additional financial resources.



Completion of the capacity supply agreement program

A 135 MW CCGT in Budennovsk started supplying capacity to the wholesale electricity market, which marked the completion of the program under Wholesale Capacity Supply Agreements. Between 2011 and 2015, LUKOIL launched four power plants with a total installed capacity of 949 megawatts, which is 59 megawatts higher than the Company's contractual commitment.

The synergy between production, processing and generation capacities of the Company (using Caspian APG to supply generation) increases the use of APG and reduces fuel consumption for power generation.



Best Russian exporter

LUKOIL won the Best Exporter award at the Customs Olympus-2015, a contest for foreign trade participants, for such parameters as the amount of customs payments; compliance with customs laws; foreign trade turnover, etc.

Strategic impact: Supporting sustainable development through responsible relations with government authorities, consumers and partners.



Dialogue in the regions of operation

Conferences on corporate social responsibility were held in the South and North Caucasian Federal Districts from March to April. The conferences were attended by representatives of regional authorities, public associations, NGOs, cultural and educational institutions and other stakeholders.

Responsible business conduct in the regions of operations and consideration for stakeholder views in the Company's activities facilitate sustainable long-term growth.



Interaction with local communities, p. 84

Strategy and Achievements

KEEPING OUR PROMISES

Strategic Objective		2015 Results
1. Strengthening of our position in the industry	Financial efficiency	The Group delivered a strong performance on liquidity management and cash flow generation, having posted a positive net income despite a twofold decline in oil prices. Operating costs reduction drove an increase in operating income per barrel of production. Despite an adverse market environment for Russian borrowers, in 2015 LUKOIL managed to finance all of its expenses fully and in due time.
	Operating efficiency by segment	Refining assets commissioned on schedule and development of high-priority projects in the production segment in 2015 boosted the Company's operating efficiency across the business. Specifically, we achieved production growth and increased output of light petroleum products as low-margin segments shrank.
2. Strong financial position	Minimal cost of capital employed against a reasonable risk exposure	Notwithstanding major investments and the unfavorable economic environment, in 2015 LUKOIL Group met its obligations in full to both shareholders and creditors. The Group maintained its investment-grade credit rating. This helps to raise additional financing on favorable terms to develop, in particular, high-priority projects.
3. Best balance	Higher shareholder payments	In 2015, we maintained a reasonable balance between shareholder returns and long-term capital expenditures. Our efforts to tighten financial discipline enabled us to pay out competitive dividends and fulfil our investment program in the challenging environment of 2015.
4. High level of corporate responsibility	Mitigating environmental impact	In 2015, we met the targets for wider use of APG, curbing air emissions and waste water discharge. The Group continued investing in environmental initiatives, construction of gas processing facilities, and replacement of obsolete equipment. The Company's top managers and subsidiaries were charged with greater responsibility for meeting environmental footprint reduction targets.
	Industrial safety, workplace injuries	Efficient health and safety practices enabled the Group to confirm its compliance with the requirements of ISO 14001 and OHSAS 18001 international standards.

The Company adopts best corporate governance practices to ensure the highest performance possible while adhering to a conservative financial policy. Boosting shareholder value and returns is the Company's top priority

2016 Priorities	Risks
<p>The Group will strive to ensure its stable operation and financial strength in an unfavorable macroeconomic environment relying on stringent financial discipline, enhanced energy efficiency and labor productivity.</p>	<p>Macroeconomic risks, including lower demand for and uncontrollably higher supply of hydrocarbons and petroleum products, FX fluctuations and inflation, deterioration of the tax regime, and political instability in the countries of operation.</p> <p>Risks associated with gaining access to new hydrocarbon sources.</p>
<p>Retaining competitive advantage in the international, local and industry markets based on key performance indicators. In 2016, we plan to bring on-line new major projects in the production segment to strengthen our operating performance.</p>	
<p>Fulfilling our obligations to lenders. By maintaining stringent financial discipline and actively managing liquidity, debt and obligations, we will ensure stability and support the Group's investment-grade rating</p>	<p>Macroeconomic factors, including a sharp deterioration of investment climate and capital outflow, giving rise to the interest rate risk.</p>
<p>Maintaining competitive dividend payouts with account for inflation and devaluation developments.</p>	<p>Macroeconomic risks, including hydrocarbon price decline, FX fluctuations and inflation, may have an adverse effect on the Company's financial performance.</p>
<p>Promoting wider use of APG and reducing environmental footprint. Developing environmental initiatives – gas processing and own power generation facilities, as well as pipeline replacement.</p>	<p>Environmental risks, including leaks and spillages of crude and petroleum products.</p> <p>Industrial safety risks, including emergencies at the Company's production facilities, accidents and occupational diseases.</p>
<p>Implementation of new, risk-based innovative approaches to ensuring safe operations and practices across LUKOIL Group's facilities.</p>	



Appendices: Risks, p. 158

Measuring Success: key Performance Indicators (KPIs)

Starting from 2003, the Company has in place a corporate performance assessment system based on Key Performance Indicators (KPIs).

By introducing KPIs in its system of corporate governance, the Company can:

- formalize goals and objectives as a specific set of indicators at different planning horizons (strategic, mid-term, current planning and budgeting);
- assess the performance of LUKOIL Group in general, as well as individual performance of its business segments, business sectors and assets;
- motivate managers and employees to achieve goals and objectives by incorporating KPIs into the incentive system.

The KPIs composition is adjusted and updated as required, taking into account reviewed strategic goals and targets of the Company, changes in its asset portfolio, and external environment. LUKOIL Group's current Set of KPIs contains about 60 unique indicators. The total number of KPIs for LUKOIL Group across business segments, business sectors and entities is around 400.

KPIs in Planning

To ensure connection between goals and objectives at different timelines a designated set of indicators within the KPI system is applicable at all planning stages. As the planning horizon becomes shorter, the set of applicable KPIs expands.

In budget planning, KPIs are used as goal setting tools both at the stage of target guidance development (within the concept of top-down planning) and at the stage of final formalization of goals and objectives in the form of benchmark indicators against which subsequent performance assessment is carried out.

Performance Management Through KPIs

KPIs are an essential instrument for managing the performance of LUKOIL Group in general and the individual performance of the Company's assets. Performance assessment is carried out on a regular basis and includes:

- monitoring current results of operations on a monthly (and in some cases, weekly) basis,
- summing up the results of operations quarterly and annually.

Certain indicators, first of all financial, are subject to factor analysis that implies identification of controllable and uncontrollable factors. It enables objective evaluation of the influence that the Company's executives have on the results of operations of entities within LUKOIL Group.

KPIs are a set of indicators that characterize key success factors and determine the level of strategic goals achievement.

KPIs in the Motivation System

The KPIs system helps motivate the Company's top managers and employees to achieve strategic goals. KPIs are the key factor underlying the manager's annual bonus.

The balance of the corporate and individual parts is determined depending on corporate function that the manager is responsible for. The weight of the corporate and individual parts and target annual bonus amounts are set out in the Regulations on PJSC "LUKOIL" Management Remuneration and Incentive System.



Top Management Remuneration System, p. 109

Type	Description
Corporate	Reflect team performance.
Individual	Reflect the manager's performance against goals and objectives set for the relevant business line.

KPI System Operation Rules

The corporate performance assessment system is governed by the following internal documents:

- Main Principles for Designing the Corporate Performance Assessment System – defines the main principles for and approaches to designing the KPI system;
- Set of Key Performance Indicators – a document stipulating the list of KPIs by LUKOIL Group's business segment, business sector and entity, along with the procedure for their calculation. Approved by the Management Committee of PJSC "LUKOIL" and reviewed once every two years. In 2015, changes to investment KPIs were approved to align the calculation procedure with IFRS requirements.

The procedure for using KPIs in separate corporate processes is governed by relevant internal regulations:

- LUKOIL Group's Growth Strategy Development Regulations,
- LUKOIL Group's Corporate Planning Regulations,
- LUKOIL Group's Corporate Management Reporting Regulations.

KPIs are an essential instrument for managing the performance of LUKOIL Group in general and the individual performance of the Company's assets.

The KPIs system helps motivate the Company's top managers and employees to achieve strategic goals.

1. STRENGTHENING OF OUR POSITION IN THE INDUSTRY

Financial efficiency

	Relevance	2015 Results									
<p>ROACE, %</p> <table border="1"> <caption>ROACE, %</caption> <thead> <tr> <th>Year</th> <th>Red Bar</th> <th>Yellow Bar</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>8.4</td> <td>1.2</td> </tr> <tr> <td>2014</td> <td>12.3</td> <td>8.3</td> </tr> </tbody> </table>	Year	Red Bar	Yellow Bar	2015	8.4	1.2	2014	12.3	8.3	<p>Indicator showing the efficiency of the capital employed. Capital borrowed from investors should provide returns at a competitive market rate. ROACE is calculated as the ratio of the Company's adjusted income to the capital employed.</p>	<p>As the market environment has little influence on the capital but strongly affects the Company's income, in 2015, following a slump in oil prices, LUKOIL Group posted high, albeit reduced, ROACE exceeding the average for the world's private oil & gas majors and proving competitive among Russian oil & gas companies.</p>
Year	Red Bar	Yellow Bar									
2015	8.4	1.2									
2014	12.3	8.3									
<p>Net income, RUB billion</p> <table border="1"> <caption>Net income, RUB billion</caption> <thead> <tr> <th>Year</th> <th>Value</th> <th>% Change</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>291</td> <td>-26.4%</td> </tr> <tr> <td>2014</td> <td>396</td> <td></td> </tr> </tbody> </table>	Year	Value	% Change	2015	291	-26.4%	2014	396		<p>Net income demonstrates the efficiency of the Company's governance in the interests of shareholders. The indicator factors in both real cash flow and deferred assets and liabilities. Net income is calculated as the Company's revenue from the sale of products and services net of production and other costs and taxes.</p>	<p>Notwithstanding the twofold slump in oil prices, net income decreased by 26.4% due to a compensation mechanism provided by the Russian tax regime, efficient cost management and devaluation of the ruble, with most of the Company's expenses denominated in rubles and the bulk of revenue received in US dollars.</p>
Year	Value	% Change									
2015	291	-26.4%									
2014	396										
<p>Free cash flow, RUB billion</p> <table border="1"> <caption>Free cash flow, RUB billion</caption> <thead> <tr> <th>Year</th> <th>Value</th> <th>% Change</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>248</td> <td>244.4%</td> </tr> <tr> <td>2014</td> <td>72</td> <td></td> </tr> </tbody> </table>	Year	Value	% Change	2015	248	244.4%	2014	72		<p>Indicates the ability of Company's management to generate cash flow for its shareholders and is calculated as cash flow from operations less capex.</p>	<p>The Company posted strong results in liquidity management and cash flow generation. It stands to mention that particularly efficient working capital management added RUB 69 billion to the cash flow.</p>
Year	Value	% Change									
2015	248	244.4%									
2014	72										
<p>EBITDA, RUB billion</p> <table border="1"> <caption>EBITDA, RUB billion</caption> <thead> <tr> <th>Year</th> <th>Value</th> <th>% Change</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>769</td> <td>-3.7%</td> </tr> <tr> <td>2014</td> <td>798</td> <td></td> </tr> </tbody> </table>	Year	Value	% Change	2015	769	-3.7%	2014	798		<p>Indicator of the Group's performance, including its ability to finance capital expenditures, acquisitions and other investments, as well as ability to incur and service debt. Calculated as net income before interest, income tax, depreciation and amortization.</p>	<p>Increased production and effective cost management kept the EBITDA decline at a marginal 3.7%. In Russia, the Company maintains its leadership position in terms of EBITDA per barrel of production, which amounted to RUB 886 in 2015, demonstrating the reliability of its vertically integrated business model that sustains stability in a time of crisis.</p>
Year	Value	% Change									
2015	769	-3.7%									
2014	798										

S Strategy KPI
is used for strategy monitoring and the Group's performance assessment

M Motivation KPI
is factored in when calculating the annual bonus payable to top managers, it reflects team performance (except for TSR which is factored when calculating long-term incentives).

Operating Efficiency

	Relevance	2015 Results
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E&P segment

<p>Marketable hydrocarbon production, million boe per day</p> <table border="1"> <tr><th>Year</th><th>Production (million boe per day)</th></tr> <tr><td>2015</td><td>2.4</td></tr> <tr><td>2014</td><td>2.3</td></tr> </table>	Year	Production (million boe per day)	2015	2.4	2014	2.3	<p>Indicator evaluating the effectiveness of the Company's E&P segment strategy.</p>	<p>LUKOIL is one of the leaders among the world's private oil & gas majors in terms of the marketable hydrocarbon production growth rate. In 2015, the total hydrocarbon production growth was driven by development of new fields. In the mid-term, LUKOIL plans to launch a number of high-priority projects to support the output levels.</p>
Year	Production (million boe per day)							
2015	2.4							
2014	2.3							

<p>Hydrocarbon reserve replacement ratio, %</p> <table border="1"> <tr><th>Year</th><th>Ratio (%)</th></tr> <tr><td>2015</td><td>-15</td></tr> <tr><td>2014</td><td>121</td></tr> </table>	Year	Ratio (%)	2015	-15	2014	121	<p>Indicator showing reserve replacement through proved reserve growth. Calculated as sum of reserve growth and new discoveries, re-estimation of reserves, enhanced recovery, acquisition or sale of proved reserves, divided by output.</p>	<p>The ratio was affected by the rapidly worsening environment on global commodity markets. A twofold slump in oil prices had an adverse impact on economic feasibility of the development of some of the Company's reserves and led to 1,006 million boe of proved reserves being transferred to lower categories. The Company expects to return these reserves to the proved category when the economic situation improves.</p>
Year	Ratio (%)							
2015	-15							
2014	121							

<p>Hydrocarbon extraction expenses, \$ per boe</p> <table border="1"> <tr><th>Year</th><th>LUKOIL (\$ per boe)</th><th>Average for international oil & gas companies (\$ per boe)</th><th>Average for Russian oil & gas companies, CDU TEK data (\$ per boe)</th></tr> <tr><td>2015</td><td>4.25 (-23.6%)</td><td>11.7</td><td>11.7</td></tr> <tr><td>2014</td><td>5.56 (-15.8%)</td><td>13.9</td><td>13.9</td></tr> </table>	Year	LUKOIL (\$ per boe)	Average for international oil & gas companies (\$ per boe)	Average for Russian oil & gas companies, CDU TEK data (\$ per boe)	2015	4.25 (-23.6%)	11.7	11.7	2014	5.56 (-15.8%)	13.9	13.9	<p>Calculated as extraction expenses, including expenditures related to repairs of extraction equipment, payroll, expenses on artificial stimulation of reservoirs, electricity costs, property insurance, cost of production of natural gas liquids at GPPs, and other similar costs, divided by output.</p>	<p>LUKOIL is the leader among the world's private oil & gas majors in terms of hydrocarbon extraction expenses. In 2015, the costs per barrel (in USD) of production reduced by 23.6% due to the ruble devaluation as most of the Company's expenses are denominated in rubles.</p>
Year	LUKOIL (\$ per boe)	Average for international oil & gas companies (\$ per boe)	Average for Russian oil & gas companies, CDU TEK data (\$ per boe)											
2015	4.25 (-23.6%)	11.7	11.7											
2014	5.56 (-15.8%)	13.9	13.9											

Refining, Marketing and Distribution segment

<p>Refining depth in Russia, %</p> <table border="1"> <tr><th>Year</th><th>LUKOIL (%)</th><th>Average for international oil & gas companies (%)</th></tr> <tr><td>2015</td><td>79.6</td><td>74.2</td></tr> <tr><td>2014</td><td>77.1</td><td>72.3</td></tr> </table>	Year	LUKOIL (%)	Average for international oil & gas companies (%)	2015	79.6	74.2	2014	77.1	72.3	<p>Indicator of the feedstock efficiency and refinery equipment performance, reflecting the share of end products less fuel oil and irrecoverable losses.</p>	<p>By upgrading its refinery facilities, LUKOIL Group seeks to increase the production of high value-added products and enhance the segment's performance.</p>
Year	LUKOIL (%)	Average for international oil & gas companies (%)									
2015	79.6	74.2									
2014	77.1	72.3									

G Group's KPI is used for the Group's performance assessment.

M Segment's KPI is used for the segment's performance assessment.

■ LUKOIL
■ Average for international oil & gas companies
■ Average for Russian oil & gas companies, CDU TEK data

	Relevance	2015 Results						
<p>Nelson complexity index</p> <table border="1"> <caption>Nelson complexity index</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>8.2</td> </tr> <tr> <td>2014</td> <td>7.6</td> </tr> </tbody> </table>	Year	Value	2015	8.2	2014	7.6	<p>Indicator of the refinery equipment performance, describing a measure of the secondary conversion capacity of a refinery relative to the primary distillation capacity; the higher the index, the more advanced the refinery and the higher the quality of its output.</p>	<p>As part of a program to upgrade its refinery facilities, LUKOIL Group commissioned new units in 2015 causing the Nelson complexity index to grow to 8.2.</p>
Year	Value							
2015	8.2							
2014	7.6							

2. STRONG FINANCIAL POSITION

<p>Debt to equity, %</p> <table border="1"> <caption>Debt to equity, %</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>27</td> </tr> <tr> <td>2014</td> <td>25</td> </tr> </tbody> </table>	Year	Value	2015	27	2014	25	<p>Measure of the Company's financial independence, showing the share of funds invested by external lenders in equity capital of the Company.</p>	<p>LUKOIL adheres to the most stringent financial discipline not only in the Russian oil industry, but also globally, which enables the Group to maintain its investment-grade rating. The Company's leverage remains lower than that of competitors, which is critical for ensuring financial strength in an unstable macroeconomic environment.</p>
Year	Value							
2015	27							
2014	25							

3. BEST BALANCE

<p>Total shareholders return (TSR), %</p> <table border="1"> <caption>Total shareholders return (TSR), %</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>13.4</td> </tr> <tr> <td>2014</td> <td>16.6</td> </tr> </tbody> </table>	Year	Value	2015	13.4	2014	16.6	<p>Indicator showing the return on investment in shares for holding period, including share price growth and dividend. A high TSR is the shareholder's ultimate goal. This indicator can be influenced by the Company, directly or indirectly.</p>	<p>The Company posted stable share prices, going up 5.4% at the Moscow Exchange. In addition, the Company may pay dividends of RUB 177 per share, which would lead to 13.4% TSR.</p>
Year	Value							
2015	13.4							
2014	16.6							
<p>Dividend payout ratio, %</p> <table border="1"> <caption>Dividend payout ratio, %</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>43.3</td> </tr> <tr> <td>2014</td> <td>27.8</td> </tr> </tbody> </table>	Year	Value	2015	43.3	2014	27.8	<p>Indicator evaluating the attractiveness of the Company's dividend policy as compared to competitors. It is calculated as dividend per share divided by basic earnings per share.</p>	<p>Notwithstanding the unfavorable economic environment, LUKOIL may increase its dividend payout ratio to 43.3% for 2015.</p>
Year	Value							
2015	43.3							
2014	27.8							

S Strategy KPI
is used for strategy monitoring and the Group's performance assessment.

M Motivation KPI
is factored in when calculating the annual bonus payable to top managers, it reflects team performance (except for TSR which is factored when calculating long-term incentives).

	Relevance	2015 Results									
<p>S Dividend per share, RUB</p> <table border="1"> <caption>Dividend per share, RUB</caption> <thead> <tr> <th>Year</th> <th>Value (RUB)</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>177</td> <td>+14.9%</td> </tr> <tr> <td>2014</td> <td>154</td> <td></td> </tr> </tbody> </table>	Year	Value (RUB)	Change (%)	2015	177	+14.9%	2014	154		<p>Indicator reflecting the Company's profit distribution policy. Calculated as a ratio of dividends accrued for the year to the total number of the Company's shares.</p>	<p>LUKOIL has been systematically increasing the amount of dividends, which may reach RUB 177 per share for 2015.</p>
Year	Value (RUB)	Change (%)									
2015	177	+14.9%									
2014	154										
<p>S Capex, RUB billion</p> <table border="1"> <caption>Capex, RUB billion</caption> <thead> <tr> <th>Year</th> <th>Value (RUB billion)</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>607</td> <td>-0.6%</td> </tr> <tr> <td>2014</td> <td>611</td> <td></td> </tr> </tbody> </table>	Year	Value (RUB billion)	Change (%)	2015	607	-0.6%	2014	611		<p>Indicator reflecting cash outflow from the Group's investment activities to create future and support current assets that will generate returns for shareholders in the future.</p>	<p>In 2015, after many years of investing, LUKOIL commissioned over \$3 billion worth of refining assets, and may now painlessly optimize its capex in the Refining, Marketing and Distribution segment (-23.0% y-o-y), reallocating investments in favor of upstream projects (a 5.4% increase y-o-y).</p>
Year	Value (RUB billion)	Change (%)									
2015	607	-0.6%									
2014	611										

4. HIGH LEVEL OF CORPORATE RESPONSIBILITY

<p>G Air emissions, thousand tonnes</p> <p>S</p> <table border="1"> <caption>Air emissions, thousand tonnes</caption> <thead> <tr> <th>Year</th> <th>Value (thousand tonnes)</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>540</td> <td>-17.7%</td> </tr> <tr> <td>2014</td> <td>656</td> <td></td> </tr> </tbody> </table>	Year	Value (thousand tonnes)	Change (%)	2015	540	-17.7%	2014	656		<p>Minimizing environmental impact, and specifically reducing air emissions, is the key objective of the Company's environmental policy. Waste water discharge and waste disposal indicators are also used to calculate the KPI for Ensuring the Required Level of Health and Safety and Environmental Protection (the HSE Compliance KPI).</p>	<p>In 2015, LUKOIL Group reduced air emissions by 18% by increasing the APG utilization rate to 92%, which is significantly higher than the average in Russia. Due to the launch of new APG utilization facilities and infrastructure construction, LUKOIL reduces the volume of APG flaring each year, making a significant contribution to mitigating the environmental footprint of the oil & gas industry.</p>			
Year	Value (thousand tonnes)	Change (%)												
2015	540	-17.7%												
2014	656													
<p>Accident rate</p> <p>G</p> <p>M</p> <table border="1"> <caption>Accident rate</caption> <thead> <tr> <th>Year</th> <th>LUKOIL</th> <th>Average for international oil & gas companies</th> <th>Average for Russian oil & gas companies, CDU TEK data</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>0.28</td> <td>0.33</td> <td></td> </tr> <tr> <td>2014</td> <td>0.13</td> <td>0.43</td> <td></td> </tr> </tbody> </table>	Year	LUKOIL	Average for international oil & gas companies	Average for Russian oil & gas companies, CDU TEK data	2015	0.28	0.33		2014	0.13	0.43		<p>As the Company values human life above all, the accident rate is one of the main indicators contributing to the KPI for Ensuring the Required Level of Health and Safety and Environmental Protection. It is calculated as a ratio of workplace accidents to the average headcount.</p>	<p>LUKOIL firmly maintains its position among the largest Russian companies as one of the leaders in health and safety. In recent years we have achieved a steady decline in the accident rate. Its growth in 2015 was caused, inter alia, by reasons beyond the Company's control (airliner crash).</p>
Year	LUKOIL	Average for international oil & gas companies	Average for Russian oil & gas companies, CDU TEK data											
2015	0.28	0.33												
2014	0.13	0.43												

G Group's KPI is used for the Group's performance assessment.

N Segment's KPI is used for the segment's performance assessment.

■ LUKOIL
■ Average for international oil & gas companies
■ Average for Russian oil & gas companies, CDU TEK data

Global Oil & Gas Fundamentals

CONTINUING GROWTH OF THE GLOBAL DEMAND FOR OIL

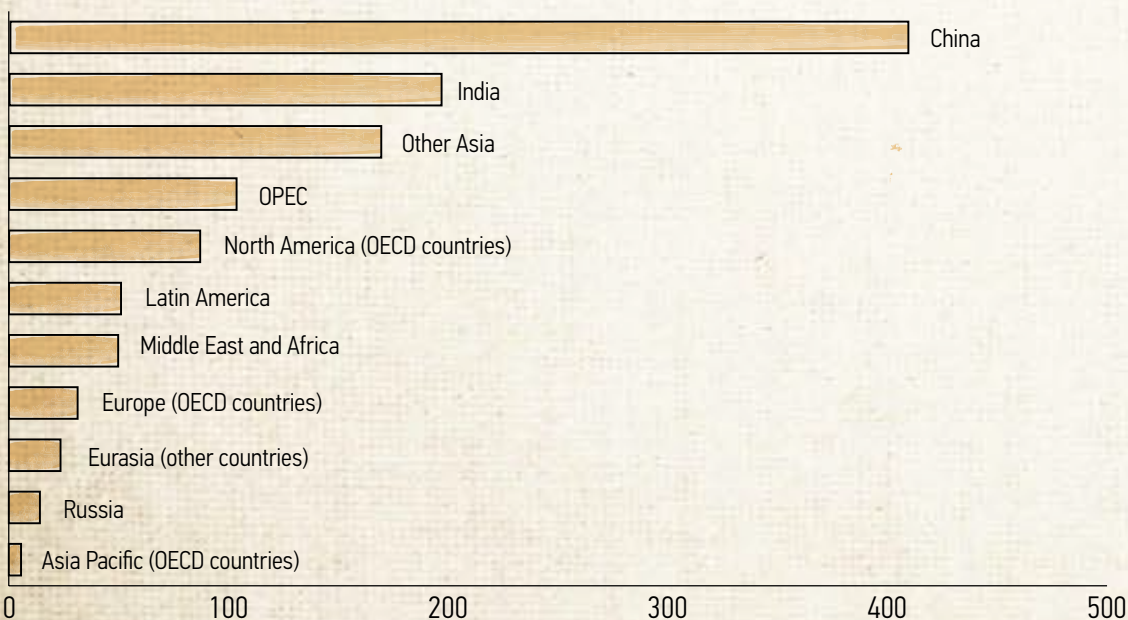
Following an increase in oil production both from OPEC and from independent producers in 2014–2015, the market had a considerable surplus resulting in a substantial fall in oil prices. A slump in oil prices prompted oil & gas companies to curtail their plans to launch expensive oil production facilities.

At the same time, demand for oil keeps growing steadily. Falling oil prices stimulate a faster increase in demand driven by growth of the world population and urbanization in developed countries.

In 2015, oil demand grew by 1.7%¹. In the long term, fundamental trends such as population growth, urbanization and increase in the number of cars worldwide will support an average annual oil demand gain at around 1%².

Decline of production in the mid-term coupled with a stable oil demand growth will bring balance to the global oil market. Growing oil demand will be satisfied from sources more affordable for consumers – conventional oil and oil from low-permeability reservoirs. It will have a positive impact on sustainable development of the oil industry and global economy in general.

Increase in number of passenger cars, 2014–2040, million cars³



¹ Source: IEA.

² Source: 2015 consensus forecast, the Company's calculations (IEA, EIG, OPEC).

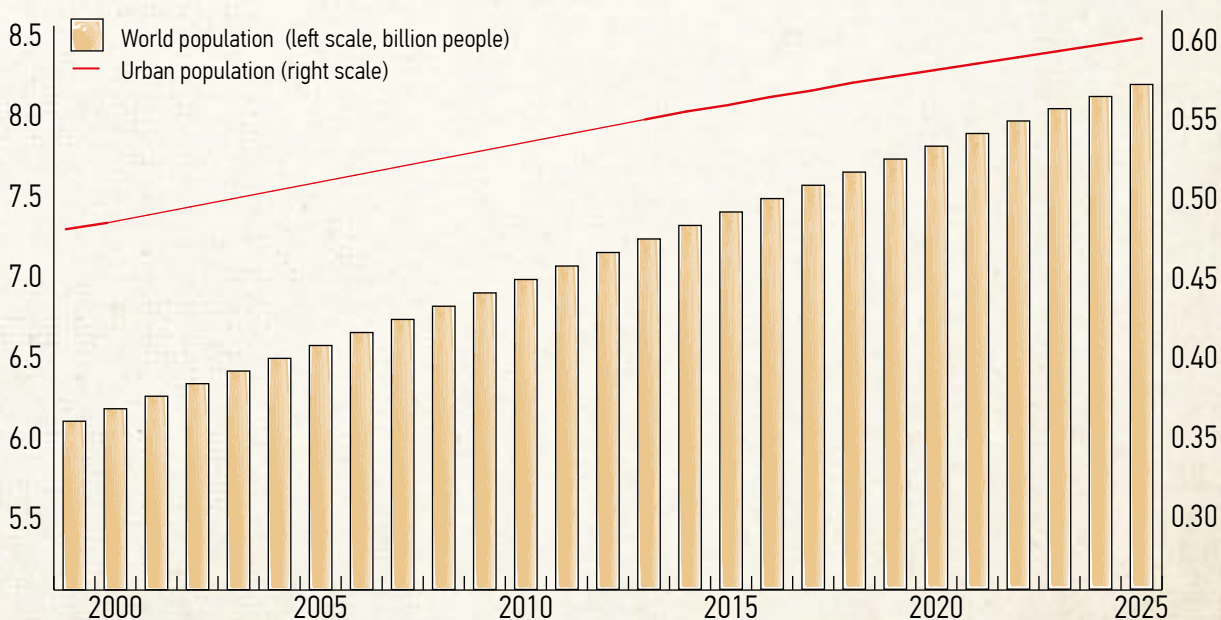
³ Source: OPEC World Oil Outlook 2015.

LUKOIL Group's Readiness for the Period of Low Hydrocarbon Prices



- Completion of a major investment cycle in the Refining, Marketing and Distribution segment – opportunities to generate cash flow in a challenging economic environment and meet our obligations to shareholders.
- A well-diversified asset portfolio and own trading unit make the Company more flexible in a highly volatile market.
- Given high refining margins in Europe, the Company's foreign refinery assets enhance profitability of the Refining, Marketing and Distribution segment and mitigate distribution risks for extracted hydrocarbons.
- Launch of high-priority projects in the E&P segment in 2016 will drive operating indicators growth.
- Our distribution network ensures sales of own petroleum products.
- Own transportation infrastructure enables the Company to optimize transportation costs.
- Low leverage and a high credit rating reduce the cost of borrowed capital.

World population and urbanization level prospects



Source: UNPD.

2

OPERATING RESULTS

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Financial Performance

STRONG FINANCIAL POSITION

Financial Performance

LUKOIL's performance in 2015 was characterized by strong financials, notwithstanding the unfavorable market environment, with the year-average oil price almost halving compared to 2014. LUKOIL Group's cash flow was largely supported by efficient liquidity, working capital and cost management and the tax mechanism mitigating the negative effect of falling oil prices.

In 2015, LUKOIL Group's revenue amounted to RUB 5.75 trillion, up 4.4% y-o-y, mainly driven by higher production, trading volumes, and the US dollar exchange rate. In 2015, the Group's net income and EBITDA reached RUB 291 billion and RUB 769 billion, respectively.

Effective cost management in an unfavorable market environment enabled the Company to achieve an increase in the operating income per barrel of production by 10% to RUB 537 against the background of year-average ruble-denominated prices of Urals crude oil, which went down by 16% in 2015. This growth, which put LUKOIL ahead of many Russian oil & gas companies, was made possible by keeping the 2015 costs per barrel of production in Russia below inflation.

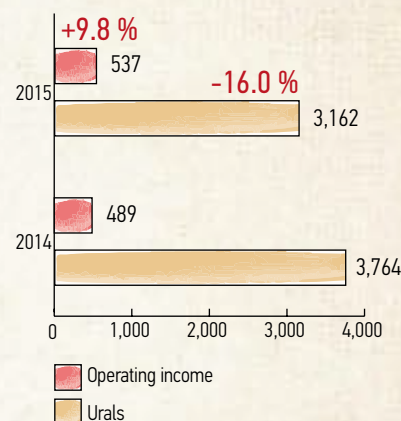
The Group's capex remained almost flat y-o-y; however, investments were reallocated in favor of upstream projects, to increase by 5.4% to RUB 488 billion. LUKOIL is focused on developing high-priority projects, with relevant capex going up by 31.7%.

The Company achieved particularly good results in cash flow generation. While maintaining capital expenditures at the last year's level and ensuring sufficient financing of key growth projects, the Company succeeded in increasing its free cash flow more than three times to RUB 248 billion. In 2015, LUKOIL outperformed the world's largest private oil & gas companies in terms of free cash flow.

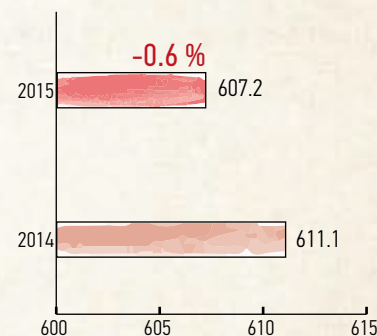
This result was largely driven by efficient working capital management. Thus, in 2015, working capital optimization added an extra RUB 69 billion to free cash flow, i.e. drove a 1.5x increase. In particular, reduced receivables enabled a RUB 112 billion increase in free cash flow while inventory reduction secured an extra RUB 79 billion.

The Company makes every effort to ensure that, regardless of one-time losses, its dividend policy remains intact. Among other things, the Company's investment policy is intended to provide sustainable cash flow so as to guarantee reasonable dividend payouts. Thus, over the last five years, the Company increased the amount of dividends per share by more than twice.

Operating income per barrel of production and average price of Urals crude in 2014-2015, RUB/boe



Capex, RUB billion



In 2016, LUKOIL Group published its financial statements prepared under IFRS for the first time. Transition from US GAAP to IFRS was made in line with Russian statutory requirements. The Group's transition to IFRS is effective from 01 January 2014. The presentation currency of IFRS financial statements is the Russian ruble.

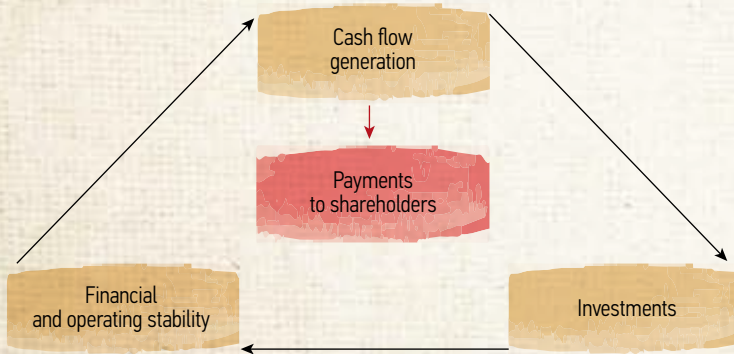
Boosting the Efficiency of Foreign Operations

In 2015, LUKOIL Overseas Holding GmbH, which owned and operated the Group's non-Russian exploration and production assets, was merged into LUKOIL INTERNATIONAL GmbH. This reorganization resulted in establishment of a single foreign holding company, LUKOIL INTERNATIONAL GmbH, combining the Group's operations in the E&P and Refining, Marketing and Distribution segments. The main objective of restructuring was to enhance the Group's performance in a challenging macroeconomic environment through cost optimization and reduction in the number of foreign organizations within the Group, as well as unification of the asset management system and improved transparency. Austrian capital, Vienna, was selected as the location for the holding company's headquarters.

As the place of operations, Vienna has come to play an important role for LUKOIL Group for a number of reasons. Vienna is a unique logistics center of Europe. Vienna offers a favorable investment environment encouraging groups of companies such as LUKOIL to set up their headquarters there. The city has a well-developed labor market featuring highly qualified professionals.

In 2016, the Group will continue its efforts to further improve the management and ownership structure of its foreign assets.

Cash flow allocation



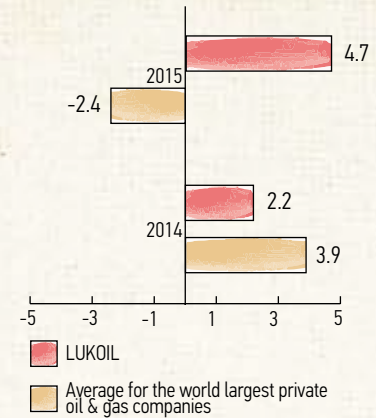
Financial Policy

Our key strategic goal is to boost the Company's shareholder value. The Company manages LUKOIL Group's liquidity and consolidated debt portfolio in a centralized way to ensure financial stability, including an effective structure of the capital employed and minimize its cost. The Group's consolidated debt portfolio is well-balanced, low-cost, and 93% long-term. As at the end of 2015, LUKOIL Group's debt was RUB 860 billion.

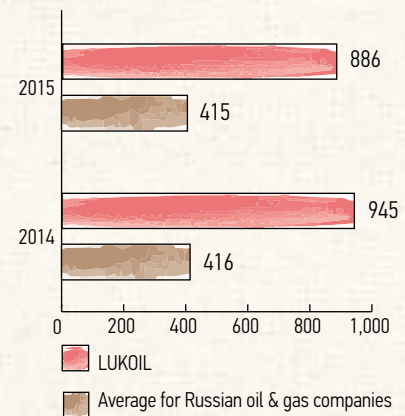
While actively managing its liquidity and consolidated debt portfolio, the Company is guided by the targets below:

- Daily cash position: \$2 billion min
- debt to total capital: below 30%
- secured debt to total debt: below 20%
- debt to EBITDA: 300% max
- net debt to equity: 55% max
- interest expense to EBITDA: 25% max

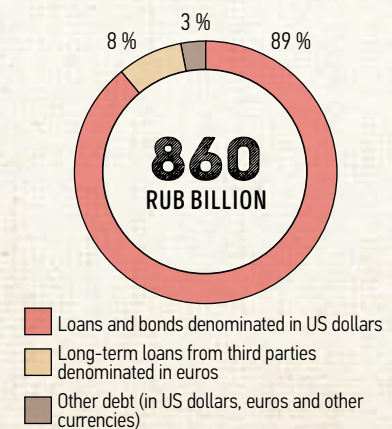
Free cash flow per barrel of production in 2015, \$/boe



EBITDA per barrel of production in 2015, RUB/boe



Total debt profile



Financing and Leverage

Notwithstanding the extensive capex program and dividend policy over the past years, LUKOIL Group's leverage is relatively low as compared to international oil & gas majors, in particular due to intra-group loans.

With its high solvency, LUKOIL was able, in the context of limited access to capital markets, to keep the cost of external financing low as compared to terms available to other privately-owned Russian companies. Through our effective debt management and interaction with banks, the weighted average long-term interest rate reduced to 3.77% as at 2015 year-end, compared to 4.66% as at 2014 year-end.

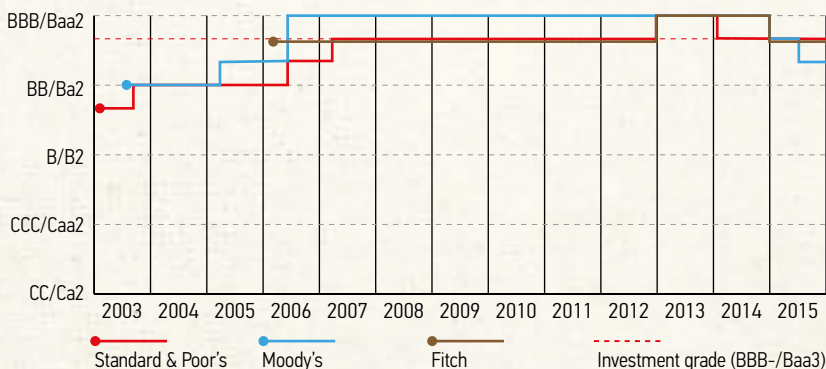
Despite the instability of the market environment for Russian borrowers, in 2015 LUKOIL managed to finance all of its expenses, including capex, investments, long-term loan repayment and dividends, in a timely manner and in full, as well as maintain the Company's investment-grade rating. Regardless of the virtually closed capital markets, we raised \$2.1 billion, of which about \$1.7 billion are long-term loans.

In 2015, we continued to reduce our working capital needs and mitigate credit risks. Efficient working capital management in the Group relied, inter alia, on continued expansion of the use of documentary instruments and trade finance instruments, as well as closer control of payment discipline.

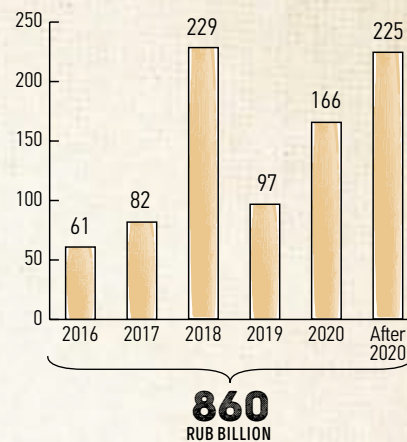
Credit Rating Changes

Geopolitical and economic factors led to downward changes of relevant ratings and outlooks by rating agencies for Russia and Russian companies. However, in 2015, LUKOIL Group managed to maintain investment-grade ratings from two of the three major international agencies: Standard & Poor's (BBB-) and Fitch (BBB-).

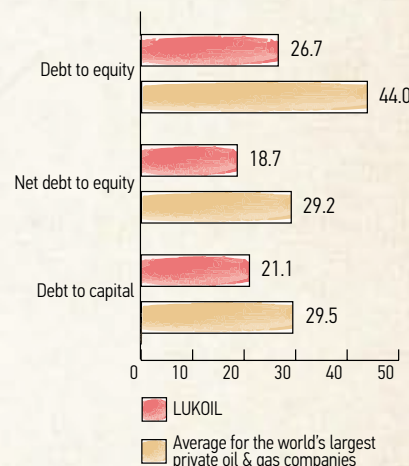
LUKOIL Group's credit rating changes



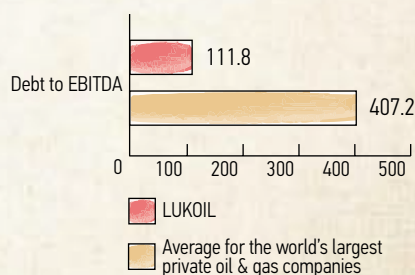
Total debt maturity, RUB billion



Debt leverage indicators, %



Debt to EBITDA, %



UPSTREAM



Key highlights in the E&P segment, RUB billion

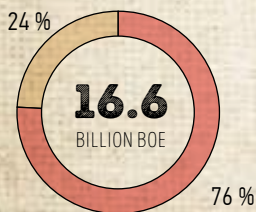
Item	2015	2014	Change (15/14), %
Revenue	1,877	1,710	9.8
EBITDA	489	466	4.8
Profit for the year	107	174	-38.2
Capex*	488	463	5.4

* Including non-cash items and advances.

• **16,558**
PROVED HYDROCARBON RESERVES, MILLION BOE

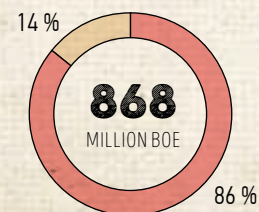
• **868**
MARKETABLE HYDROCARBON PRODUCTION, MILLION BOE

Proved hydrocarbon reserves



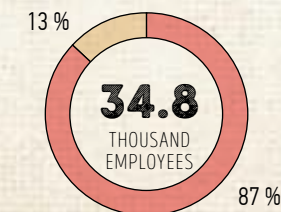
● Crude oil
○ Gas

Production of marketable hydrocarbons



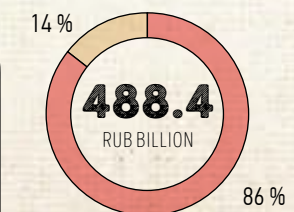
● Liquid hydrocarbons
○ Gas

Average headcount in the E&P segment



● Russia
○ International projects

Capex* in the E&P segment



● Development and Other
○ Exploration

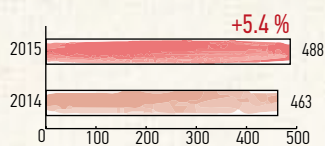
* Including non-cash items and advances.

2015 results

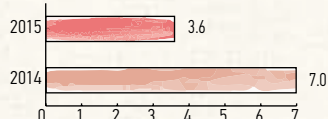
2016 and mid-term
priorities

High-priority projects

Capex in the E&P segment,
RUB billion



Oil production growth rate, %



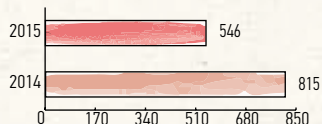
In 2015, the Group increased its production and reached its targets on priority projects: field development in the Bolshekhetskaya Depression and the Imilorsko-Istochny license area in Western Siberia; development of fields in the Denisovsky license area and the Yaregskoye field; construction operations at the V. Filanovsky field in the Caspian; achieving annual production targets at the West Qurna-2 field in Iraq.

Oil production commenced at the Kuvachi-Alat field as part of the Kandym Early Gas project in Uzbekistan.

- ensuring stable production in the traditional regions of the Company's operations;
- commencement of commercial production at the V. Filanovsky field in the Caspian;
- commencement of commercial production at the Pyakyakhinskoye field in the Bolshekhetskaya Depression;
- continued pilot operations in the Imilorsko-Istochny license area.

Ensuring reserves growth

Extensions/discoveries of proved
reserves, million boe

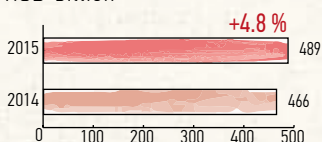


In 2015, the increase in proved reserves related to geological exploration and production drilling totalled 546 million boe and was a result of the exploration operations in the traditional regions of the Company's operations in Russia and abroad.

- preparing the Roadmap for the development of the Vostochno-Taimyrsky license area;
- updating the Development Concept for fields and structures in the North and Central Caspian;
- devising the Exploration and Development Concept for the Baltic Sea shelf.

Cost management

EBITDA in the E&P segment,
RUB billion



Operating income in the E&P segment increased by 4.8% on the back of growing production and effective cost control. The costs per barrel of production in Russia went up 11.0% to 218.2 RUB/boe, while inflation increased by 12.0%.

- taking measures to optimize opex and working capital.

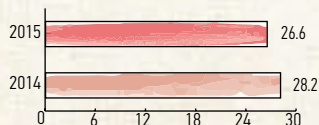
Increasing oil recovery factor

Oil recovery factor

STRATEGIC TARGET

40

Share of output due to EOR
in total crude oil production
in Russia, %




To maximize hydrocarbons recovery from the subsoil and increase oil recovery factor, as part of its R&D program, the Company tested and implemented modern technologies for well construction, oil production and enhanced oil recovery.


In Western Siberia, the Urals and Timan-Pechora, the application of the multi-stage hydrofracturing (MSHF) technique was continued to enable the development of tight oil reserves. A total of 107 horizontal wells with MSHF were launched in 2015.

Acid fracturing and proppant fracturing pilot operations, including MZHF, in Timan-Pechora confirmed the region's high potential. The average well production rate in the region after hydrofracturing exceeded 660 barrels per day (90 tonnes per day).

Intensive use of technologies in 2015 produced an extra 22.8 million tonnes of crude oil.

- use and upgrade of advanced technologies for economically viable extraction of tight reserves (low-permeability reservoirs, Bazhenov, Domanic, Abalak and Tyumen formations).

 Technologies, p. 49

 Segment's KPI is used for the segment's performance assessment.

Price Environment

The year-average price of Brent crude fell in 2015 by 47.1% to \$52.39 per barrel while the price of Urals crude dropped by 47.3% to \$51.42 per barrel. The year-average ruble-denominated price of Urals crude slumped by 16%.

In 2015, the macroeconomic environment in the oil markets was highly volatile. Oil prices grew in the first five months but then the downward trend resumed, triggered by the supply-demand imbalances. Although oil prices remained within \$45–\$50 per barrel for most of the second half of 2015, at the end of the year they fell again.

Against the background of geopolitical events and under the pressure of oil price fluctuations, the Russian ruble also demonstrated high volatility. The year-average RUB/USD exchange rate soared 58.7% (to 60.96 rubles to US dollar) while in December the rate hit the historic maximum, exceeding 70 rubles to US dollar.

Tax Environment

In 2015, underlying tax and export duty payments by the Group other than income tax reduced by 13.9% to RUB 1,098 billion. Mineral extraction tax (MET) was up 8.3% in 2015 while tax benefits remained unchanged (lower MET applicable to highly depleted, small-scale and tight oil fields and zero MET applicable to high viscosity oil fields).

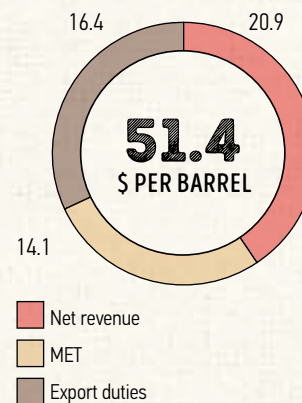
Export duty payments decreased by 44.5% due to tax cuts following a decline in the year-average crude oil price and incremental duty benefits (lower duty rate applicable to new offshore and high viscosity oil fields).


Financial Highlights in the E&P Segment

A decline in oil prices in 2015 was offset by RUB 185 billion worth of crude oil received as cost compensation within the West Qurna-2 project. As a result, in 2015 revenue in the E&P segment grew by 9.8% to RUB 1,877 billion while EBITDA was up 4.8%, reaching RUB 489 billion. However, net income is less sensitive to price fluctuations given Russia's current tax environment. Net income in the E&P segment was RUB 107 billion.

In 2015, the Company focused on high-margin assets, setting aside capex-heavy and low-margin projects. In 2015, the ruble-denominated capex went up by 5.4% to reach RUB 488 billion. Share of high-priority projects expenditures reached 51.5% (RUB 252 billion) versus 41.2% in 2014.

Russian oil exporter's revenue breakdown in 2015



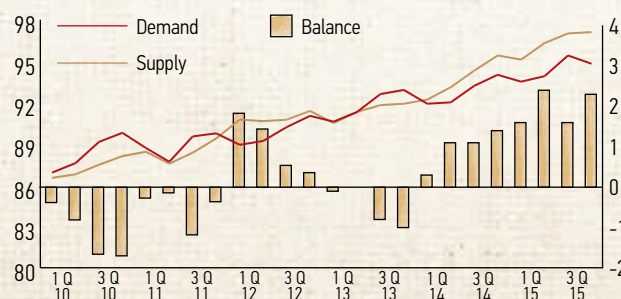
 *Management's Discussion and Analysis of Financial Position and Results of Operations, Appendices p. 226*

Brent crude price, \$ per barrel



Source: Platts, Bloomberg.

Demand vs. supply, million barrels per day



Source: IEA, Bloomberg.

Reserves

SUSTAINABLE BASE FOR FURTHER GROWTH

LUKOIL is a leader in proved hydrocarbon reserves both locally and globally. Its reserves are sufficient to support 19 years of current production.

LUKOIL Group boasts a well-diversified portfolio of assets both in Russia and abroad. Western Siberia and the Bolshekhetskaya Depression account for over a half of its proved reserves while the share of international projects is 12%. Some 59% of the Group's proved reserves (including 66% of oil and 34% of gas) are being developed.

LUKOIL has substantial contingent resources (13.9 billion boe). The Group is active in exploration and innovations to speed up conversion of resources to reserves as these come to be developed. A 1.9 billion boe increase in contingent resources versus 2014 was driven by successful geological exploration on the Baltic Sea shelf, in Western Siberia and the Komi Republic, as well as partial conversion of reserves to contingent resources.

Most of the Group's proved reserves are conventional. High-viscosity oil accounts for only 4.7% of such reserves (3.4% of 3P reserves) while offshore fields amount to 5.5% of proved reserves (7.5% of 3P reserves). This reserve breakdown enables the Group to manage its development costs efficiently and commission new fields more quickly.

LUKOIL is making every effort to unlock its impressive resource potential and to convert the resources to proved reserves for subsequent development. Proved reserves grew by 546 million boe through exploration, new discoveries and production drilling. This resulted in 62% replacement of marketable hydrocarbons. Active development of the West Qurna-2 field accounted for the bulk of reserve additions. At the same time, 49 million boe of reserves outside Russia were disposed of when the Group sold its 50% interest in Caspian Investment Resources Ltd.

A two-fold slump in oil prices in 2015 had an adverse impact on economic feasibility of the development of some of the Company's reserves and led to 1,006 million boe of proved reserves being transferred to lower categories. As a result, reserve replacement ratio was in the negative. The Company expects to return these reserves to the proved category when the economic situation improves.

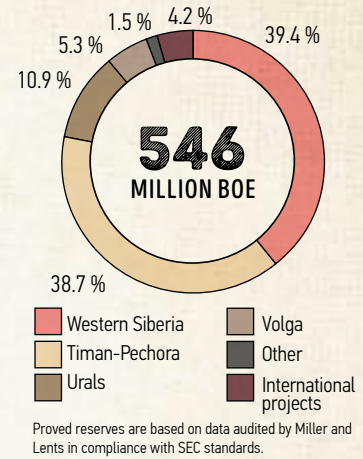
Licenses

In 2015, LUKOIL Group made vigorous efforts to acquire new licenses from the unallocated subsoil reserve fund, register and monitor new acquisitions, reissue, amend and restate current licenses, optimize its license portfolio to improve the overall quality of its resource base.

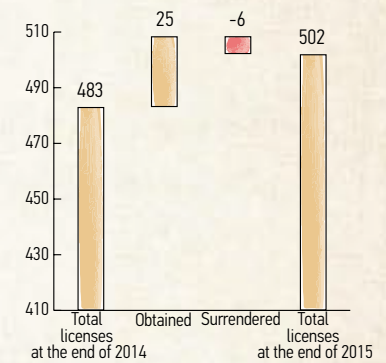
In the reporting year, the Group's companies participated in 12 subsoil license auctions and two tenders, having won four of them. LUKOIL also won the tender for the right to develop the Vostochno-Taimyrsky license area in the Krasnoyarsk Territory.

In 2015, the Group secured a total of 25 new subsoil licenses, reissued 11 licenses, registered 15 license extensions and 50 amendments to outstanding license agreements.

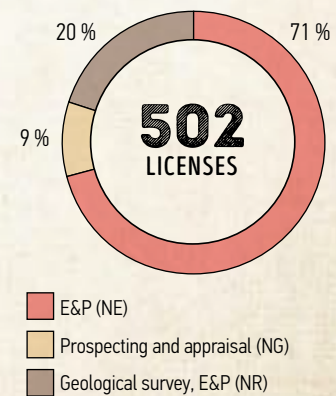
Organic growth of proved reserves



Licensing progress



License portfolio as at 31 December 2015

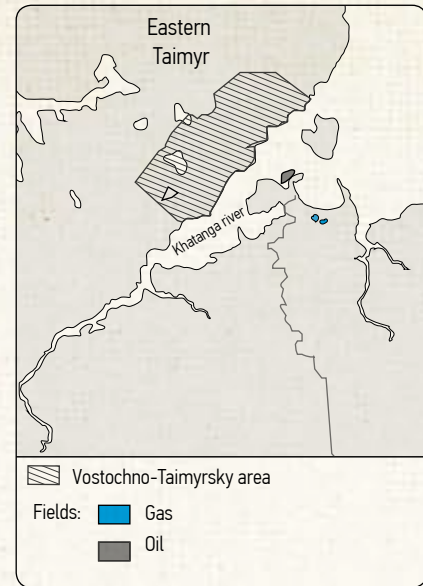


DISCOVERING EASTERN TAIMYR

In December 2015, a historical event took place: LUKOIL obtained its first license in Eastern Siberia – the subsoil license for the Vostochno-Taimyrsky area. As a result, the Group has increased its hydrocarbon reserves, and successful geological exploration will unlock the potential for oil and gas production in the new region of Eastern Siberia.

In February 2016, the first stage of geological exploration was launched ahead of time. It includes 2D seismic acquisition of 2,421 km and drilling of a prospecting well. Seismic crews and equipment mobilization was started. About 200 employees and over 130 units of equipment will be involved in the operations.

To improve the efficiency of exploration and development, advanced technology developed mainly by LUKOIL experts, Russian institutes and engineering companies will be used together with health, safety and environmental best practice and standards.



For reference

The Taimyr Peninsula is the northernmost part of the mainland of Eurasia. It lies between the Yenisei Gulf of the Kara Sea and the Khatanga Gulf of the Laptev Sea. Taimyr is located in the permafrost zone.

Transportation

One of the options for export transportation of marketable crude oil implies the use of tankers during the navigation season, loaded at the fixed offshore ice-resistant off-loading terminal (FOIROT) which is planned to be constructed in the Khatanga Gulf of the Laptev Sea. Oil is transported via the Northeast Passage and loaded onto a storage tanker anchored in the ice-free gulf near the city of Murmansk. It is subsequently loaded onto capesize tankers and shipped for export.

Key facts:

LICENSE PERIOD: **27** YEARS

AVERAGE ANNUAL TEMPERATURE: **-12.5** °C

DATE OF ISSUE: **14.12.2015**

LOCATION: KHATANGA GULF, TAIMYRSKY DOLGANO-NENETSKY DISTRICT, KRASNOYARSK TERRITORY

LICENSE AREA SIZE: **13.8**
THOUSAND SQUARE KM

POPULATION DENSITY IN THE REGION: **0.04**
PEOPLE PER SQUARE KM

Exploration

DEVELOPING KEY REGIONS TO IGNITE FUTURE GROWTH

2015 Results

- The Company discovered 18 fields and 54 deposits. The largest ones are the D41, D33 and D6-South fields on the Baltic Sea shelf
- Extended exploration in West Africa (new projects in Cameroon, Ghana, Nigeria) and Mexico

2016 Priorities

- Continue exploration and prospecting efforts in Western Siberia
- Prepare the Roadmap for the development of the Vostochno-Taimyrsky license area
- Update the Development Concept for fields and structures in the North and Central Caspian. Continue follow-on exploration of the Yu. Kuvykin field
- Devise the Exploration and Development Concept for the Baltic Sea shelf Continue geological survey of promising oil and gas bearing sites

By investing in promising regions both in Russia and abroad, LUKOIL has built up a well-diversified portfolio of assets to support production and speed up growth.

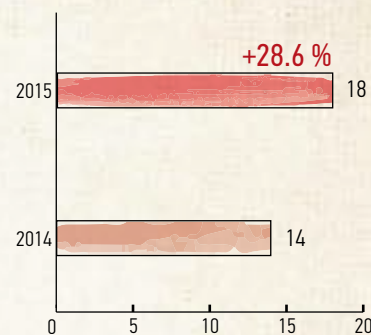
Organic growth of proved reserves¹ was 546 million boe, with the bulk of incremental reserves coming from the West Qurna-2 and R. Trebs and A. Titov fields². The reserves of the A. Alabushin field in Timan-Pechora discovered in 2014 were also taken into account.

LUKOIL Group focuses its exploration efforts on innovations, which greatly improves the efficiency of exploration. The success rate of prospecting and exploration drilling reached 85% in 2015.

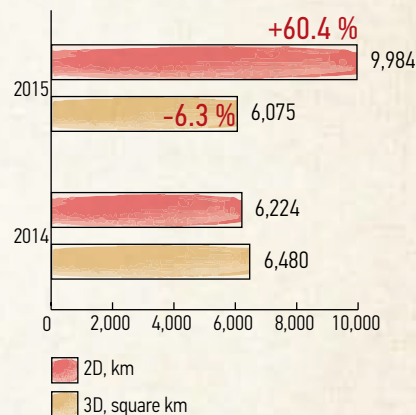
In 2015, 2D seismic operations were increased by 60.4% to 9,984 km due to new prospecting efforts in areas in Western Siberia, the Komi Republic (Timan-Pechora) and the Perm Region (Urals).

Vertical seismic profiling (VSP) was enhanced by 22.9%. In 2015, 43 wells were subject to VSP. Exploration drilling stood at 191 thousand meters in 2015, down 28.7% y-o-y.

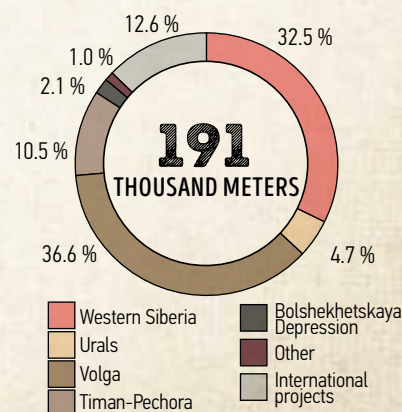
LUKOIL Group discoveries (fields)



Seismic survey



Exploration drilling by region



¹ Extensions/discoveries of new reserves excluding acquisitions, production and revision of prior estimates.

² Proved reserve and cash flow figures for LLC Bashneft-Polus are included in Company's share in accordance with the report by Miller and Lents prepared under SEC standards.

KEY PROSPECTING PROJECTS IN 2015

Western Siberia

In 2015, organic growth of proved reserves in the region amounted to 215 million boe.

The Company discovered one new field – Vareyskoye (Bolshekhetskaya Depression) and 17 oil deposits. LUKOIL completed construction of 42 exploration wells with the success rate of 93%.

Volga

In 2015, organic growth of proved reserves in the region amounted to 29 million boe. LUKOIL completed construction of 34 exploration wells, of which 28 were productive, with the success rate of 82%.

Offshore Caspian. The favorable tax environment promotes further investments in exploration. One productive well was completed in the Rakushechnoye field (1,650 meters deep). In 2015, the Company refined the geological model for the V. Filanovsky field following the drilling of well No. 11-Rakushechnaya (in 2014). Five hydrocarbon deposits were discovered.

To enable detailed geological survey and refined evaluation of potential oil and gas content, 2D seismic survey and electric exploration were completed within the Central Caspian license area.

Volga (land). In 2015, the Company discovered 11 new oil fields and completed construction of 33 exploration wells with the success rate of 82%.

Timan-Pechora

In 2015, organic growth of proved reserves in the region amounted to 211 million boe. LUKOIL completed construction of 12 exploration wells with the success rate of 83%. One oil field was discovered – the Vostochno-Tedinskoye field.

The Denisovskaya Depression. The bulk of incremental reserves came from the new prospective area within the Denisovskaya Depression. Drilling of exploration and production wells confirmed the potential of the A. Alabushin field discovered in 2014, with well production rates from 2,500–5,100 barrels per day (between 280 and 710 tonnes per day).

The Company completed construction of three exploration wells at the R. Trebs and A. Titov fields (PJSC "LUKOIL" share in LLC Bashneft-Polus, a joint venture with PJSOC Bashneft – 25.1%), all being productive, with the success rate of 100%.

Urals

Organic growth of reserves was 59 million boe. The Company completed construction of 6 exploration wells, all being productive, and discovered 11 new oil deposits.

The Baltic Sea

Exploration efforts on the Baltic Sea shelf led to the discovery of three oil fields:

D41, D33 and D6-South. The Company completed construction of two exploration wells, both being productive. In the short run, the Company intends to devise the Exploration and Development Concept for the Baltic Sea shelf.

International projects

Extended Exploration in West Africa and Mexico

1. **Cameroon.** LUKOIL closed the deal to acquire a 30% interest in the Etinde offshore project in Cameroon from UK-based Bowleven Plc.
2. **Ghana.** LUKOIL closed the deal to acquire a 38% interest in the Deepwater Tano / Cape Three Points block from Hess.
3. **Nigeria.** LUKOIL closed the deal to acquire a 45% interest¹ in the hydrocarbons development and production project at the OML 140 deepwater block in Nigeria from Chevron.
4. **Mexico.** LUKOIL closed the deal to acquire 50% in a service contract operator for the Amatitlán block in Mexico.

¹ In financing.

Prospecting and exploration drilling works abroad was mainly focused on Romania, Nigeria, Norway, Uzbekistan, Iraq.

The Company completed construction of an exploration well on the Black Sea shelf in **Romania**. A gas field was discovered. According to seismic data, the field area can reach up to 39 square km. The success of this well reduced the risk for further exploration on a series of prospective sites with significant potential reserves.

In **Nigeria**, a 5,354 meter-deep well was drilled at the OML 140 block and an oil deposit was discovered.

Development and Production

LEVERAGING THE RESOURCE BASE

2015 Results

- Production of marketable hydrocarbons up 2.8%
- Oil production commenced at the Kuvachi-Alat field as part of the Kandym Early Gas project

2016 Priorities

- Launch of the V. Filanovsky (Caspian) and Pyakyakhinskoye (Bolshekhetskaya Depression) fields
- Continue pilot operations in the Imilorsko-Istochny license area
- Perform accelerated development at priority projects including the Yaregskoye and V. Vinogradov fields.

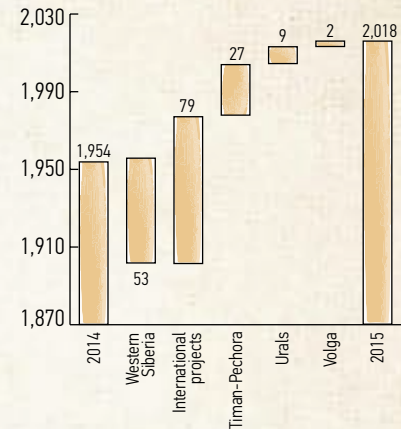
CRUDE OIL

In 2015, the Group increased its oil output by 3.6% to 100.7 million tonnes (736 million barrels), a record figure for the Company. The increase was mainly due to the successful development of the West Qurna-2 field in Iraq. The production decline in Western Siberia driven by natural depletion and reduction of drilling volumes was offset by production growth in other regions. In 2015, LUKOIL started production at 14 new fields. The average daily oil flow rate across the Group's projects rose by 3.7% to 103 barrels per day (14.1 tonnes per day).

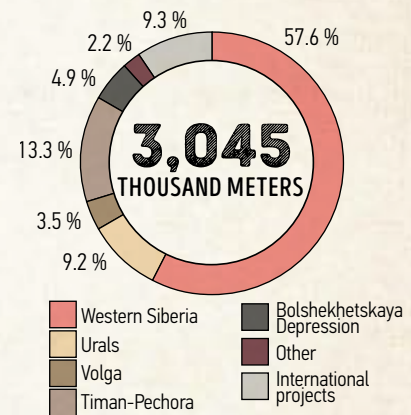
Following a slump in hydrocarbon prices, production drilling reduced by 29.9%. At the same time, drilling at priority projects is carried out to the full extent to meet the strategic targets; specifically, drilling in the Bolshekhetskaya Depression was increased by 11.3%.

A total of 933 new production wells were brought into operation in the reporting year, including 860 in Russia (with an average flow rate up 18.3% to 260 barrels per day in Russia). Horizontal wells account for 22.0% of new oil wells.

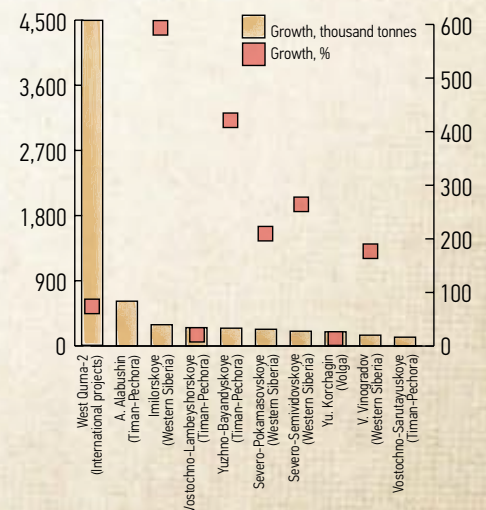
LUKOIL Group's average daily production, thousand barrels per



Production drilling, thousand meters



Organic growth of oil production in 2015



14 FIELDS BROUGHT ON STREAM

100.7 MILLION TONNES OF OIL PRODUCED

18.3% GROWTH IN FLOW RATES FROM NEW PRODUCTION WELLS IN RUSSIA

33 THOUSAND OPERATING PRODUCTION WELL STOCK

Russia

In 2015, LUKOIL produced 85.6 million tonnes (629 million barrels) in Russia (down 0.8% y-o-y) mainly due to reduced output in Western Siberia. At the same time, there was an increase in output from priority projects in Timan-Pechora, Volga and the Urals.

International Projects

In 2015, the Group increased production from international projects by 38.6% to 15.1 million tonnes (107 million barrels) due to the development of the West Qurna-2 project in Iraq.

GAS

Gas accounts for 14% of the total production of marketable hydrocarbons. In 2015, LUKOIL decreased its total gas production by 4.7% to a total of 24.9 billion cubic meters. The Group's output of marketable gas (net of own consumption, injection and transport losses) was 20.3 billion cubic meters (119.2 million boe), up 1.4% y-o-y. The bulk of marketable production growth came from the Kandym Early Gas project in Uzbekistan (the Northern Shady site and launch of the Kuvachi-Alat field).

In 2015, LUKOIL produced 13.2 billion cubic meters of marketable gas in Russia, down 6.0% y-o-y. Our major gas field is the Nakhodkinskoe field which accounts for 56.4% of marketable gas production in Russia. The Bolshekhetskaya Depression remains a high-priority region for the Group aiming to build up the share of gas projects generally.

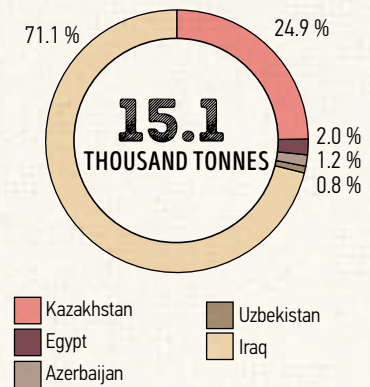
International projects account for 34.6% of marketable gas production, with over half of it coming from Uzbekistan. In 2015, marketable gas production in Uzbekistan grew by 28.6%. Production is in progress at Khauzak-Shady and Southwest Gissar. In 2015, production commenced at the Kuvachi-Alat field as part of the Kandym Early Gas project. It also stands to mention a 7.2% increase in the Group's production in Azerbaijan within the Shakh-Deniz project.



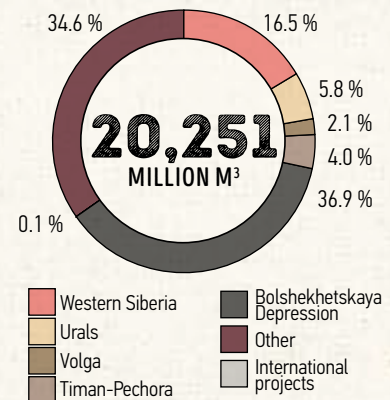
High-Priority Projects, p. 43

19.2%
GROWTH IN MARKETABLE GAS
PRODUCTION FROM INTERNATIONAL
PROJECTS

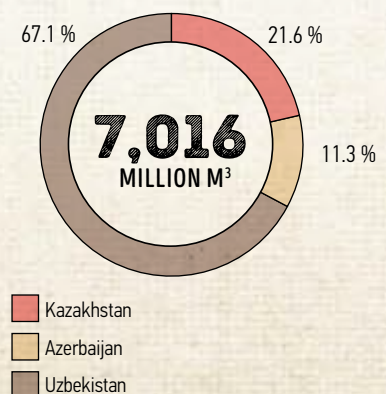
Oil production by international project



Production of marketable gas



Gas production by international project



High-Priority Projects

REACHING NEW ACHIEVEMENTS

LUKOIL Group is making every effort to exploit its substantial resource potential through the implementation of a two-pronged strategy by:

- entering new areas and acquiring licenses in Russia and abroad
- implementing innovations in depleted areas and in regions with hard-to-recover reserves.

The Company's main growth focus is on timely implementation of its high-priority projects. Therefore, notwithstanding the crisis-related trends in the Russian economy, the Company increased capex in priority project regions by 31.7%. New projects amounted to RUB 252 billion in 2015, i.e. about 52% of capex in the E&P segment or 41% of total capex of the Group, mostly spent on field development in Iraq, Uzbekistan and in the Caspian (RUB 45 billion, RUB 55 billion and RUB 68 billion, respectively).

RUSSIA

Western Siberia

Western Siberia remains the Group's core hydrocarbon producing region with most of its oil fields highly depleted. The prospects for production increase in the region depend on the acquisition of new licenses and application of new technology. The development of gas fields can be another driver of increased hydrocarbon production here.

Imilorsko-Istochny License Area

The Imilorsko-Istochny license area consists of two deposits, specifically, the Imilorskoye field plus the Zapadno-Imilorskoye field, and the Istochnoye field. Leveraging the Group's developed infrastructure nearby, LUKOIL can exploit its considerable potential at a shorter time and with reduced costs. The local oil production grew almost sevenfold and amounted to 2,507 thousand barrels (342 thousand tonnes) in 2015.

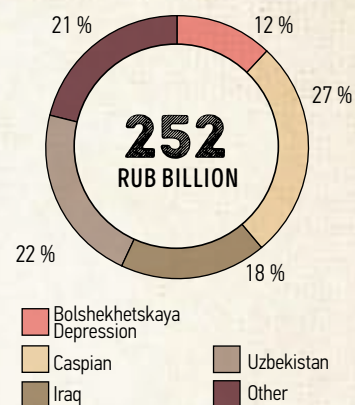
2015 Results.

LUKOIL equipped 58 wells, constructed 3 multi-well platforms, infrastructure and power generating facilities. The Company carried out production drilling, completed the largest project in Russia of high-resolution 3D wide azimuth seismic acquisition, drilled four exploration wells and is currently drilling another one. Development commenced at 51 production wells with the average flow rate of 230 barrels per day (31.3 tonnes per day), including 19 horizontal wells with the average flow rate of 381 barrels per day (52.1 tonnes per day).

2016 Priorities.

The Group plans to commission 42 new wells, complete construction of one multi-well platform, infrastructure and power generating facilities. It is expected to complete the development of a seismic model and estimation of oil reserves, and to start development of the Engineering Process Flow Chart for field development in the area. The Group plans to commission 37 production wells, including 12 wells with horizontal completion.

Capex in priority project regions



V. Vinogradov Field (Low-Permeability Reservoirs)

The field is located within the boundaries of two license areas (Bolshoy and Olkhovsky). The local oil and condensate production grew almost threefold and amounted to 1,701 thousand barrels (232 thousand tonnes) in 2015.

Preferential taxation: MET rate for oil in 2015 – 342*FP, which is about 45% of the standard rate¹.

2015 Results.

LUKOIL commissioned 38 horizontal wells and 53 directional wells. Pilot development was conducted by constructing two 1,600 meter long wells with 16-zone hydrofracturing. The Group launched a 7.5 MW gas-fuelled reciprocating power plant, continued Stage 1 construction of oil treatment facilities and an 18 MW gas turbine power plant.

2016 Priorities.

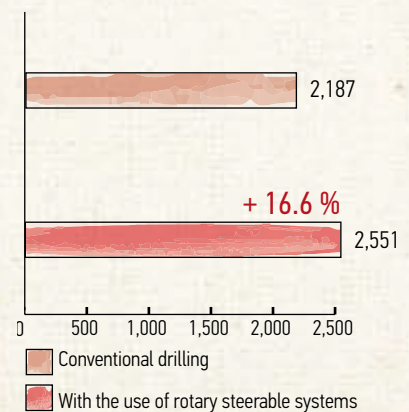
LUKOIL plans to conduct pilot development by carrying out multi-zone hydrofracturing using the “Zipper-frac” technique. LUKOIL plans to complete equipping and commissioning of 10 multi-well platforms, construction of oil treatment facilities with increasing annual capacity to 400 thousand tonnes, Stage 1 construction of the field support base, and commissioning of a 18 MW gas turbine power plant.

Use of Technologies in Western Siberia

To increase production rates, LUKOIL drilled over 140 multihole wells with horizontal completion and two to five boreholes in Western Siberia.

A technology for constructing multihole wells with horizontal completion on low-permeability reservoirs enabled the Company to reduce water cut. Commercial drilling speeds in the Pyakyakhinskoye field increased by 16.6% due to the use of rotary steerable systems to drill horizontal sections. This led to reductions in the time and cost of well construction.

Commercial drilling speeds in the Pyakyakhinskoye field, meters per rig per month



¹ The reduced rate is applicable under sub-paragraph 2, paragraph 1, Article 342.2 of the Russian Tax Code. FP – factor reflecting changes in global oil prices (calculated monthly based on the average oil price and US dollar exchange rate). The reduced rate is applicable to each deposit separately for 15 calendar years starting from the year in which the depletion of oil reserves at the deposit exceeded 1%. After that the standard rate is applicable.

Bolshekhetskaya Depression

LUKOIL Group's gas output in Russia is focused on the fields of the Bolshekhetskaya Depression with a target production of 20 billion cubic meters. In 2015, LUKOIL produced 7.5 billion cubic meters of marketable gas.

2015 Results.

Construction of key structures and facilities is 60% completed, including a complex gas treatment unit, an oil treatment facility and a petroleum gas compressor station. Construction of transportation facilities is 55% completed. Construction of infrastructure facilities is completed. The Company drilled 36 wells, developed and prepared for commissioning 33 wells.

2016 Priorities.

LUKOIL plans to launch the Pyakyakhinskoye field and commission 64 wells.

Timan-Pechora

The Timan-Pechora oil and gas province has a great potential for production growth, particularly associated with the development of the Denisovskaya Depression and high-viscosity oil deposits. Mostly deposited at the Yaregskoye and Usinskoye fields, heavy crude oil accounts for 4.7% of LUKOIL's proved hydrocarbon reserves. The prospects for production increase in the region also depend on the JV to develop the R. Trebs and A. Titov fields.

Denisovskaya Depression

The Denisovskaya Depression includes the Vostochno-Lambeyshorskoye and Bayandyskoye clusters. In 2015, hydrocarbon production at the Vostochno-Lambeyshorskoye field grew by 17% to 13,622 thousand barrels (1,783 thousand tonnes).

2015 Results.

LUKOIL equipped one well, constructed and commissioned infrastructure facilities, completed construction of high-pressure water lines and power lines. The Group commissioned the sulfur recovery and granulation unit with an annual capacity of 52 thousand tonnes at the Bayandyskaya oil treatment unit, oil treatment facilities (with an annual capacity of 1.3 million tonnes) and external power supply facilities at the Vostochno-Lambeyshorskoye cluster.

2016 Priorities.

The Company plans to construct and commission a 4.3 km long high pressure water line, 24 km long power lines. Complete FEED work for the construction of multi-well platforms, a gas treatment unit with an annual capacity of 258 million cubic meters and sulfur recovery and granulation unit with an annual capacity of 23.8 thousand tonnes.

Yaregskoye Field (High-Viscosity Oil)

The Yaregskoye field is the Group's largest source of high-viscosity oil. Local production grew by 7% to 4,928 thousand barrels (740 thousand tonnes) in 2015.

Preferential taxation: MET rate for oil: RUB 0 per tonne¹. Crude oil export duty rate² in 2015, with oil price above \$25 per barrel = $0.1 * (0.57 / 0.42 * (\text{standard rate} - \$4) + \$4) \approx 14\%$ of the standard rate and minus \$0.14.

2015 Results.

Having completed construction of 62 wells, steam units at the Yaregskoye and Lyayelskoye fields, a 54 km long water line and the Yarega-Ukhta oil pipeline, the Group was able to discontinue crude oil transportation by rail. LUKOIL carried out construction of oil production, treatment and transportation support facilities, the Yarega power generating center, Centr and Lyayel steam units. In 2015, the Group drilled 10 pairs of horizontal wells and commissioned steam generation facilities at Sever steam unit and RMNTK mobile steam unit. Geological survey of the area is currently in progress.

2016 Priorities.

The Group plans to complete Stage 1 construction of structures and facilities at the Yaregskoye field: Centr stream unit, oil processing and gathering facility with an annual capacity of 1.75 million tonnes and water treatment unit. LUKOIL also plans to commission 26 pairs of new wells, complete construction of Lyayel steam unit, equip 10 multi-well platforms, an oil pipeline, gas pipeline and substation.

Usinskoye Field (High-Viscosity Oil)

The Permian-Carboniferous deposit at the Usinskoye field is characterized by excessively high-viscosity oil. Its development is based on thermal recovery methods. In 2015, the field's Permian-Carboniferous deposit produced 14,340 thousand barrels (2,115 thousand tonnes), an increase of 2%.

Preferential taxation: MET rate for oil in 2015 – 236*FP, which is about 31% of the standard rate³.

2015 Results.

LUKOIL equipped 87 wells, commissioned infrastructure facilities, commenced CCGT installation at eight multi-well platforms and revamping of booster pump station 2, and continued construction of the 125 MW Usa power generating center.

2016 Priorities.

The Group plans to commission seven CCGTs and complete Stage 1 construction of the Usa power generating center – four 100 MW gas turbine units.

¹ The reduced rate is applicable under sub-paragraph 9, paragraph 1, Article 342 of the Russian Tax Code. The law does not provide for time limits on the application of the reduced rate on these grounds.

² Reduced export duty is applied under sub-paragraph 1, paragraph 6, Article 3.1 of the law *On Customs Tariff*.

³ The reduced rate is applicable under sub-paragraph 1, paragraph 4, Article 342.5 of the Russian Tax Code. The law does not provide for time limits on the application of the reduced rate on these grounds.

R. Trebs and A. Titov Fields

In 2011, PJSC "LUKOIL" and PJSOC Bashneft established a joint venture to develop the R. Trebs and A. Titov oil fields where PJSC "LUKOIL" holds 25.1%. In 2015, oil production grew more than twofold and amounted to 2,664 thousand barrels (351 thousand tonnes) attributable to the Group.

Peak production is planned at 4.8 million tonnes per year.

2015 Results.

LUKOIL equipped 28 wells, commissioned 30 wells, completed construction of infrastructure facilities (oil pipelines, power lines, roads).

2016 Priorities.

The Group plans to launch an APG utilization program at the R. Trebs field, build reservoir pressure maintenance facilities, commission an oil gathering system and booster pump station at the A. Titov field, an interfield pipeline and a power supply system for the fields. It is also planned to drill 23 wells, commission 29 wells and construct infrastructure facilities

North Caspian

The North Caspian region is key to LUKOIL Group's oil and gas production growth in the medium term.

V. Filanovsky Field

The V. Filanovsky field is the second field to be launched by LUKOIL in the Caspian.

Preferential taxation: MET rate for oil: 15% of hydrocarbon feedstock cost¹.

Crude oil export duty²: exemption until 31 March 2032. After that the standard rate is applicable.

2015 Results.

LUKOIL completed construction and installation of Stage 1 structures and facilities, commissioned the accommodation block platform-1. Construction and installation of Stage 2 structures and facilities was completed. The Group also commissioned oil and gas pipelines connecting the landfall to the head onshore facilities. Offshore pipeline sections were completed and commissioned.

2016 Priorities.

The Group plans to commence commercial productions at the field and the head onshore facilities, and start developing four horizontal wells. LUKOIL also plans to carry out offshore operations to assemble jackets for Stage 2 structures and facilities.

¹ The reduced rate is applicable under sub-paragraph 2, paragraph 2.1, Article 342 of the Russian Tax Code. The reduced rate is applicable for seven years after the start of production. After that the standard rate is applicable.

² Under sub-paragraph 2, paragraph 1.1, Article 35 of the Law On Customs Tariff.

INTERNATIONAL PROJECTS

The production increase potential of LUKOIL's portfolio of international projects rests mainly in the development of LUKOIL's existing assets in Uzbekistan and Iraq

Iraq

Located in Iraq, West Qurna-2 is LUKOIL Group's largest project. Compensation oil production grew by 76% to 74 million barrels (10.7 million tonnes) in 2015. The target oil production rate is 1.2 million barrels per day, to be maintained for 19.5 years.

2015 Results.

The field met its annual production targets. LUKOIL launched the first injection well, commissioned the bulk of production wells (32 wells) and the reservoir pressure maintenance facilities at the Mishrif project to maintain the production rate at 400 thousand barrels per day.

2016 Priorities.

LUKOIL's plans include approval of costs reimbursement and expansion of the reservoir pressure maintenance facilities.

Uzbekistan

LUKOIL Group's most efficient gas projects are in Uzbekistan. Production is in progress at Khauzak-Shady and Southwest Gissar. The Group enjoys an attractive financial environment supported by the government of Uzbekistan.

Marketable hydrocarbon production from the Group's projects in Uzbekistan grew by 26.1% to 29 million boe in 2015 (attributable to LUKOIL).

2015 Results.

The Group decided to take the Kandym full-scale project to the implementation stage. In May 2015, ahead of schedule, LUKOIL commenced the development of the Kuvachi-Alat field and the Northern Shady site within the Kandym Early Gas project – the first stage of the project of comprehensive development of the Kandym cluster. The Group commissioned 21 wells and two preliminary gas preparation units.

As part of the Gissar full-scale project, six wells were launched at the Dzharkuduk field.

2016 Priorities.

The Group will continue the implementation of the Gissar and Kandym full-scale projects in accordance with the approved schedules.

Technology

UNLOCKING THE UNTAPPED POTENTIAL

2015 Results

- 107 MZHF wells commissioned
- acid fracturing and proppant fracturing pilot operations, including MZHF, in Timan-Pechora confirmed the region's high potential. The average oil well production rate in the region after hydrofracturing exceeded 660 barrels per day (90 tonnes per day).
- broader cooperation with field-specific universities in oil production by sidetracking

2016 Priorities

- testing and piloting new technologies to put on stream tight oil reserves
- developing and implementing tertiary EOR methods to extract high-viscosity oil
- accent on drilling horizontal wells

To achieve its strategic goal of replacing hydrocarbon reserves on the back of the depleting resource base the Company is continuously testing and implementing new advanced technologies. Although reserves in the core producing regions have long been in development, the Company managed to stabilize and even increase flow rates in certain regions. These achievements are attributable solely to the use of innovative technologies and improvement of geological and hydrodynamic modeling.

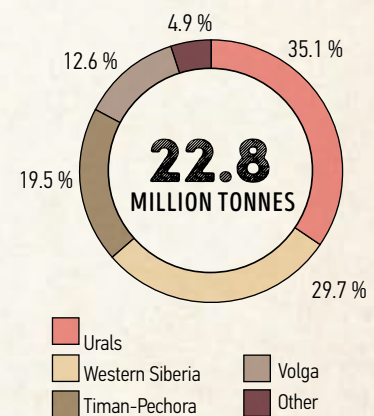
The Company pursues a research and development program to increase efficiency through cost reduction and productivity improvement. The program focuses on innovative technological development, economic efficiency and maximum hydrocarbon extraction at lower cost and higher labor productivity by testing and piloting the latest technologies, including those designed to substitute imports.

In 2015, LUKOIL tested 148 new technologies, with 34 of them considered for commercial use

LUKOIL

leads the Russian oil and gas industry in the effective use of new production technologies

Incremental Production as a Share of Total Production by Region



EOR methods increase greatly recovery and production rates, and put on stream high-viscosity oil, low-permeability reservoirs and tight oil reserves at mature fields. In 2015, EOR methods were used at 6,900 wells, up 2% y-o-y. Hydrofracturing brought in most of incremental output (over 14 million tonnes). Sidetracking was no less efficient, and the Group continued to rely heavily on this technique in 2015. For instance, the Company drilled a total of 209 sidetracks in 2015, which produced 6.2 million tonnes of extra crude oil. Such sidetrack high efficiency is primarily due to robust R&D mini-projects based on hydrodynamic modelling and more accurate forecasting of geology and reserves where sidetracks are drilled. Importantly, sidetracks are mainly drilled at idle wells in order to recover residual oil.

High-Viscosity Oil and Unconventional Reserves

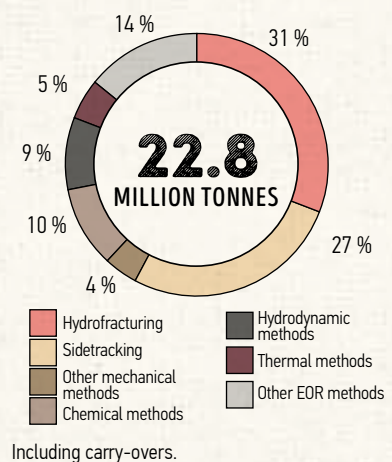
LUKOIL develops and implements high technologies to recover high-viscosity oil. The Russian government encourages the production of high-viscosity oil by imposing reduced MET and export duty rates to make it more cost-effective. Most expertise in recovering high-viscosity oil reserves comes from the Komi Republic where the Group develops the Yaregskoye and Usinskoye fields. In 2015, LUKOIL used thermal EOR techniques at both fields to recover 3.3 million tonnes of crude oil, including 2.1 million tonnes of high-viscosity oil enjoying MET reduction and 0.7 million tonnes of ultra-high viscosity oil enjoying MET and export duty reductions.

The **Permian-Carboniferous deposit at the Usinskoye field** is developed with cyclic steam stimulation (CSS) and steam flooding techniques. In 2015, the Company completed field tests and put into use the carbonate matrix acidizing method. Plans for 2016 are to begin a massive CSS operation on the margins of the Permian-Carboniferous deposit.

The **Yaregskoye field** comprises Yaregskaya, Lyaelskaya and Vezhavozhskaya structures. Oil is produced at the Yaregskaya structure (by thermal mining) and Lyaelskaya structure (by steam-assisted gravity drainage, or SAGD). Thermal mining at the Yaregskaya structure with horizontal directional drilling increased lengths of low-angle upward holes from 300 to 800 meters to have greatly reduced the scope of mining operations and bringing more reserves on stream. Compared with 2014, reserves recovered with thermal mining grew 2.6 times up to 7.6 million tonnes. Daily steam injections increased 1.8 times in 2015. Work is ongoing at the Lyaelskaya structure to pilot the SAGD technology in horizontal holes with lengths up to 1 km. The daily oil flow rate in 2015 reached 366–513 barrels per day (50–70 tonnes per day). Development of six new production blocks is scheduled for 2016, with two of them to be developed with a steam flood (oil driving with hot condensate and steam).

26.6%
OF CRUDE OIL IN RUSSIA
IS PRODUCED WITH EOR
TECHNOLOGIES

Incremental Production with
EOR Technology



Information Technology

Information technology is an essential tool to solve strategic and operational business tasks of LUKOIL Group with a view of achieving industry leadership. For the recent years, the Group has achieved a high degree of process automation across all business areas.

In 2015, LUKOIL continued to develop and implement management information systems in its subsidiaries. The paramount objective of the Group's IT is to create an integrated management system (IMS) to be based on the process approach to business management and SAP solutions.

SAP-based IMS are used by 118 Group companies. Following 2015, the number of IMS users in the Group exceeded 18,000.

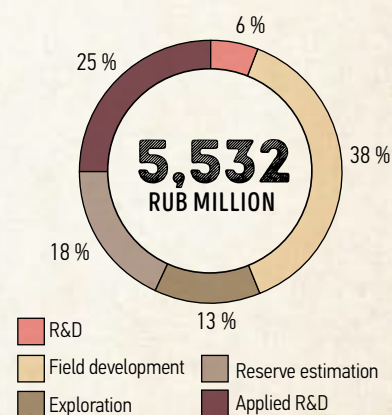
Investing in R&D

The corporate R&D program provides for the development of production technologies for the Bazhenov Formation and recovery of tight oil. As for refineries of the Group, research effort is focused on the higher oil refining depth and capacity upgrade. In addition, the R&D program stakes on further cooperation with field-specific universities.

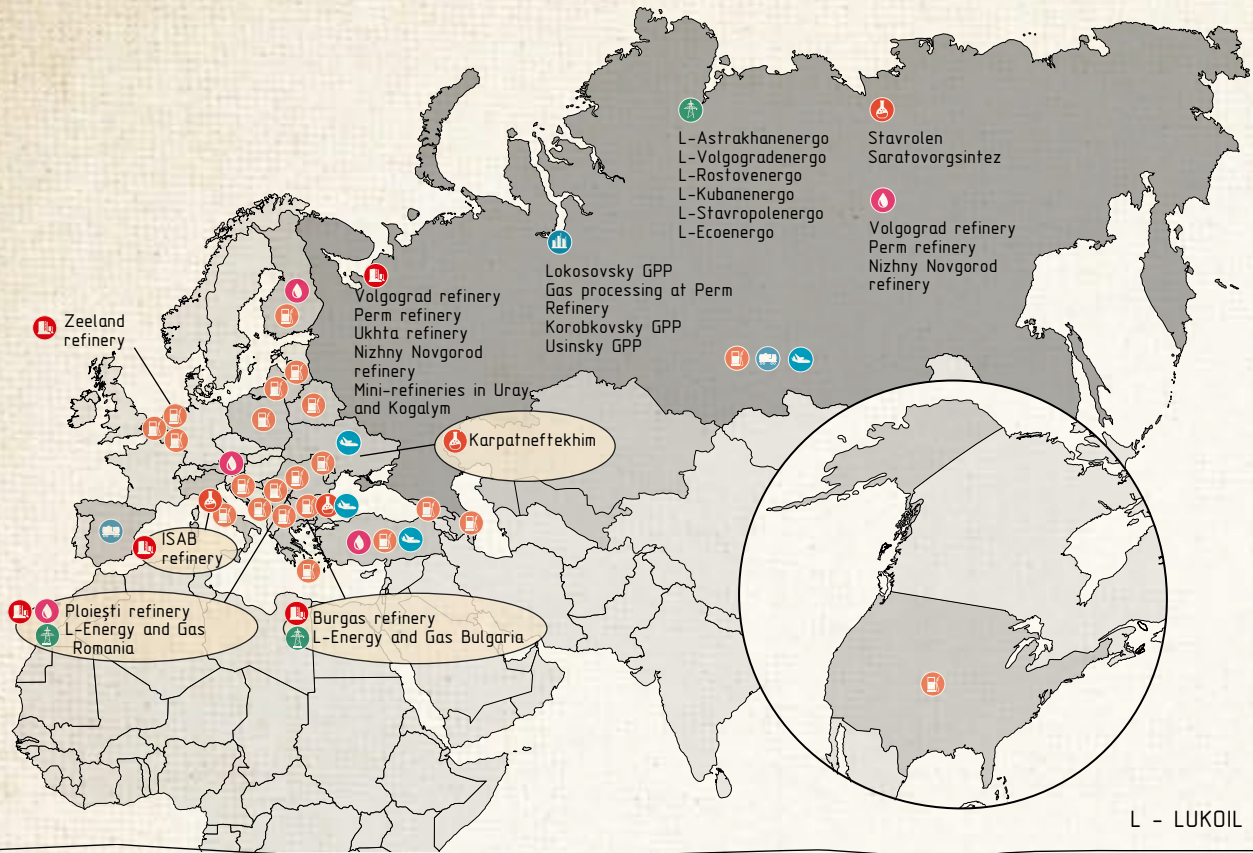
R&D in the E&P Segment in 2015

- **Western Siberia.** Research and piloting of new oil production technology in small-diameter sidetracks
- **Caspian.** Development of chemical recovery improvement technology for the Neocomian deposit of the V. Filanovsky oilfield.
- **Urals.** Development of an integrated incident-free horizontal drilling technology for the Devonian deposits (based on the case of Andreevskoye oil field)

R&D cost breakdown



DOWNSTREAM

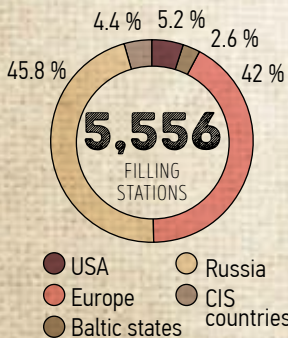


L - LUKOIL

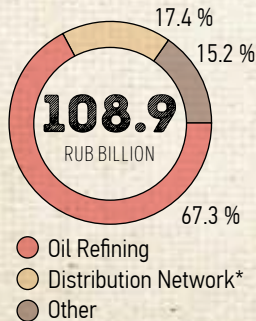
- | | | | |
|---------------|----------------|-----------------|----------------|
| 1. Austria | 8. Italy | 15. Netherlands | 21. Turkey |
| 2. Azerbaijan | 9. Cyprus | 16. Poland | 22. Ukraine |
| 3. Belarus | 10. Latvia | 17. Russia | 23. Finland |
| 4. Belgium | 11. Lithuania | 18. Romania | 24. Croatia |
| 5. Bulgaria | 12. Luxembourg | 19. Serbia | 25. Montenegro |
| 6. Georgia | 13. Macedonia | 20. USA | |
| 7. Spain | 14. Moldova | | |

🛢️ Oil Refining
 ⚙️ Gas Processing
 🔥 Petrochemicals
 ⚡ Power Generation
 🛢️ Distribution (filling stations)
 🚚 Transhipment
 🛢️ Lubricants
 ✈️ Aircraft Refuelling

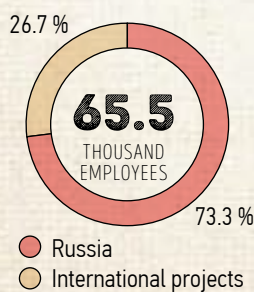
Distribution Network*



Capex in the Refining, Marketing and Distribution segment, RUB billion



Average headcount in the Refining, Marketing and Distribution segment



Key highlights in the Refining, Marketing and Distribution segment, RUB billion.

Item	2015	2014	Change (15/14), %
Revenue	5,512	5,331	3.4
EBITDA	203	178	14.1
Profit for the year	94	90	3.7
Capex*	109	141	-23.0

* Including non-cash items and advances.

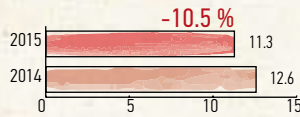
* Including owned, leased and franchised stations. * Petrol sales at filling stations and oil depots.

2015 Results

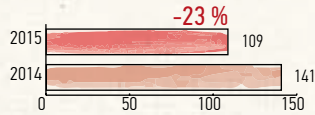
2016 and Mid-term Priorities

Refinery performance

Fuel oil output by the Group, million tonnes



Capex in the Refining, Marketing and Distribution segment, RUB billion

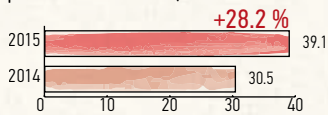


The ongoing modernization brought the output of light petroleum products up to 62.6% while the fuel oil output decreased by 10.5% across the Group (down by 18.6% at Russian refineries). The current tax regime in Russia incentivizes the production of light oil products, and well-timed commissioning of new processing capacity increased the Group's margins in the segment and helped reallocate investments in favor of upstream projects.

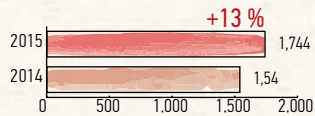
- On-time completion and commissioning of the segment's largest investment projects
- Business efficiency improvement
- Optimal capacity utilization based on the balance production program and market conditions

Premium business segments

Sales of high-margin lubricants produced in Russia, thousand tonnes



Info-plane petroleum products, thousand tonnes

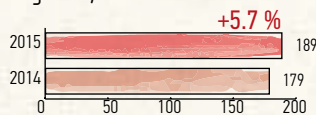


The Company keep developing its premium business segments by concentrating its effort on the production of high-margin lubricants and, particularly, marine lubricants. LUKOIL is a number one Russian producer with a 17% share in the lubricant market. The share of LUKOIL Group in the global marine lubricant market increased from 5% in 2014 to 9.5% in 2015. Much work was done to increase sales of into-plane fuel.

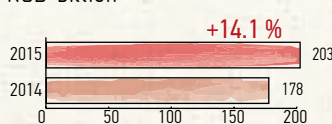
- Retention of the domestic and global market shares across all business segments

Cost optimization

Operating expenses in Refining, Marketing and Distribution segment, RUB billion



EBITDA in the Refining, Marketing and Distribution segment, RUB billion

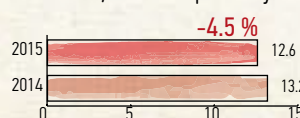


Opex optimization and focus on high added value products enabled the Company to increase the EBITDA operating income in the Refining, Marketing and Distribution segment by 14.1%. LUKOIL reduced the share of low-margin products and optimized distribution of oil and oil product flows, and increased reliance on its own infrastructure.

- Optimal oil distribution in the changing market environment while maintaining efficient utilization of key export terminals
- Development of efficient marketing strategies, including storage optimization

Filling station performance

Average sales per filling station in Russia, tonnes per day



Average daily sales per LUKOIL filling station in Russia decreased by 4.5% to 12.6 tonnes due to falling consumer demand in the wake of unfavorable economic conditions in Russia. Non-fuel sales in Russia grew by 25%.

- Steady growth of retail sales, particularly gasoline sales, both in Russia and abroad
- Expansion of distribution assets ahead of key competitors
- Further implementation of the Customer Focused Filling Station concept in Russia
- Promotion of the EKTO brand through foreign distributors and expansion of the sales geography

Strategy KPI is used for strategy monitoring and the Group's performance assessment.

Segment's KPI is used for the segment's performance assessment.

Price Environment

The reporting year was favorable for the global oil refining industry as refining margins on Urals crude in 2015 reached \$7.7 per barrel in the Mediterranean, up 71% y-o-y¹. The growth of margins was driven mostly by falling oil prices and rising demand for gasoline in all major global regions. For instance, average gasoline prices (FOB Rotterdam) decreased by only 38.0% from January until December 2015 while prices of diesel fuel and fuel oil reduced by 41.6% and 51.4%, respectively.

Oil refining margins in Russia shrank on the back of the Government's new Tax Initiative. The average ruble denominated price of Urals crude oil slumped by 16.0% in 2016. In Russia, heating oil prices dropped by 29.3% while premium gasoline increased by 4.9%.

Tax Environment

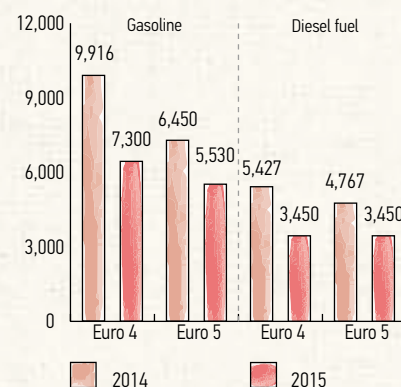
Key taxes in the segment are export duties and excise taxes on petroleum products. The Russian tax legislation incentivizes high-quality product manufacturers with lower excise taxes on Euro 5 compliant gasoline and diesel fuels. In 2015, the excise tax rates were set at RUB 5,530 per tonne for Euro 5 compliant gasoline while tax rates on Euro 4, Euro 3 and lower grades stood at RUB 7,300 per tonne. LUKOIL shifted to the production of Euro 5 gasoline back in 2012 as it improves economic performance and return on investments in refinery upgrades.

Financial Highlights in Refining, Marketing and Distribution Segment

The Tax Initiative introduced in Russia in 2015 and ruble depreciation caused ruble-denominated oil prices to grow in advance of prices for major oil products. As a result, utilization rates of Russian refineries decreased. The most resistant towards negative price changes were advanced refineries with a high share of light oil products in the portfolio. New refining assets commissioned in 2015 will improve segment margins in the long term.

Net profit in the Refining, Marketing and Distribution segment amounted to RUB 94 billion in 2015, up 3.7% y-o-y. EBITDA in the segment also grew by 14.1% to RUB 203 billion.

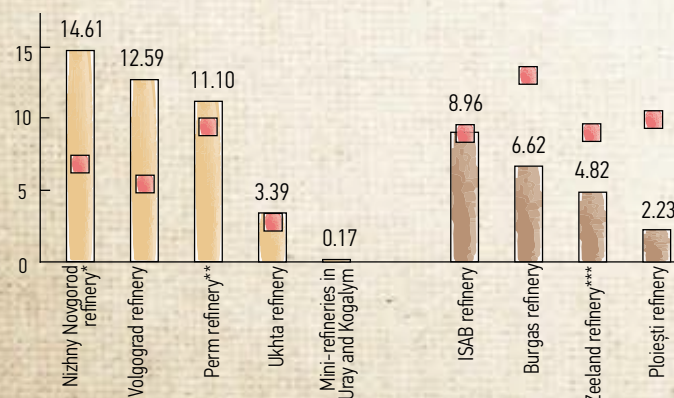
Excise tax on petroleum products, RUB/tonne



Consolidated financial statements, Appendices p. 164

¹ Source: IEA, IMF, Bloomberg.

Performance by refinery, million tonnes



■ Russian refineries
■ Overseas refineries
■ Nelson Index

* Less processing of other feedstock
 ** Less gas processing and oil from LLC Bashneft-Polus
 *** Zeeland oil refining capacity is given in proportion to the Company's share (45%). Additionally, Zeeland processed 1.6 million tonnes of other oil feedstock.

Oil Refining

ADDING VALUE

2015 Results

Completion of refinery upgrades:

- Perm refinery: a delayed coking unit to process oil residues
- Nizhny Novgorod refinery: the second catalytic cracking facility and a residual asphalt vacuum distillation unit VT-2
- Volgograd refinery: a crude distillation unit
- Burgas refinery: a heavy residue hydrocracking facility

2016 Priorities

- Putting commissioned facilities into use and related optimization of production technologies
- Further cost-cutting and margin expansion measures

LUKOIL continued rapid development in the Refining, Marketing and Distribution segment focusing its efforts on operational excellence and increased output of light petroleum products. Russian legislation has evolved towards favoring premium eco-friendly fuels. That is why the Group's Refining, Marketing and Distribution segment business remains focused on upgrading its Russian refineries.

Russian Refineries

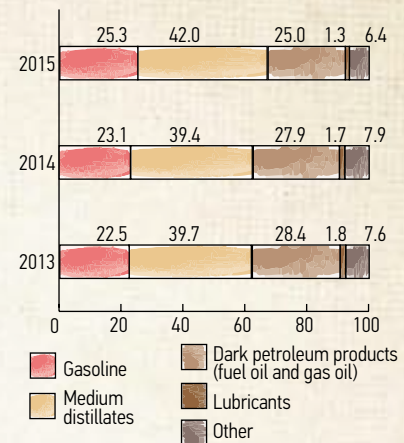
New tax incentives introduced on the Russian market rearranged margins along the value chain, shifting them from the wholesale channel into retail sales. As a result, the utilization rate of the Company's refineries in Russia decreased from 99% in 2014 to 84% in 2015. The throughput in the same period went down by 7.6% to 41.9 million tonnes.

LUKOIL has been producing only high-octane gasoline for several years in row. The output of light oil products (excluding products of mini-refineries) was 59.0% (55.0% in 2014).

The refining depth reached 79.6% (excluding mini-refineries) due to a decrease in the output of fuel oil by Russian refineries of the Group. A sizable contribution to the output of light oil products was made by the Nizhny Novgorod refinery where the second catalytic cracking facility and a residual asphalt vacuum distillation unit were put in operation.

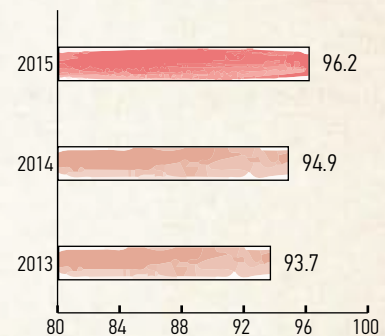
Throughput losses at Russian refineries stood at 0.51%. A 0.03 p.p. y-o-y increase in throughput losses at Russian refineries is associated with the commissioning of a new catalytic cracking facility at the Nizhny Novgorod refinery.

Petroleum products output at LUKOIL's refineries*, %



* Including throughput at ISAB and Zeeland in proportion to the Group's share; excluding mini-refineries; less intra-group sales of commercial oil products for further processing.

Diesel fuel with sulfur content below 50 ppm as a share of total diesel fuel production*, %



* Excluding mini-refineries, ISAB and Zeeland.

Capital expenditures of Russian refineries totalled RUB 55 billion in 2015 (down from RUB 74 billion in 2014). The decrease in CAPEX is attributable to the end of the investment cycle in oil refining.

Overseas Refineries

The throughput at overseas refineries rose by 6.4% in 2015 to 22.6 million tonnes. The output of light oil products (excluding products of Zeeland) was 71.1% (72.2% in 2014). The reduction was driven by a change in the oil feedstock structure at the Ploiești refinery. The refining depth declined to 84.7% (excluding Zeeland) in the wake of reduced asphalt output at ISAB and increased production of fuel oil.

Throughput losses in 2015 went down by 0.03 p.p. to 0.73%.

Capital expenditures of LUKOIL's overseas refineries totalled RUB 18 billion in 2015 (down from RUB 28 billion in 2014). The largest investment project abroad was completed at the Burgas refinery (Bulgaria).

Completion of the Upgrade Cycle

In 2011, the Russian oil refining industry entered a new development phase: government agencies and oil companies signed agreements to upgrade oil refineries to produce higher added value petroleum products and ensure necessary outputs for domestic supplies.

In 2011, gasolines of Euro-4 and Euro-5 environmental standards were only 28% of the total output in Russia. Since 2012, 100% gasolines produced by LUKOIL have only been of the highest Euro-5 grade.

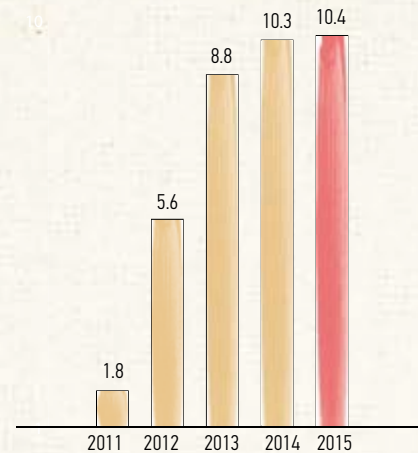
The Company will be the first in the industry to complete its large-scale investment cycle in 2015–2016. Its core capacities were commissioned by the Group in the reporting year 2015. Over five years, the Group's capex in Refining, Marketing and Distribution exceeded \$10 billion.

Apart from upgrading Russian capacities, LUKOIL is also developing its foreign refineries. On the back of low oil prices, the Company takes advantage of its vertical integration by increasing the sophistication of its European oil refineries where the refining margin grew by 71%. In the reporting year, LUKOIL commissioned the Heavy Residue Refining Facility at the Burgas Refinery (Bulgaria). The facility will increase oil refining efficiency by increasing the output of light fuels with high added value.

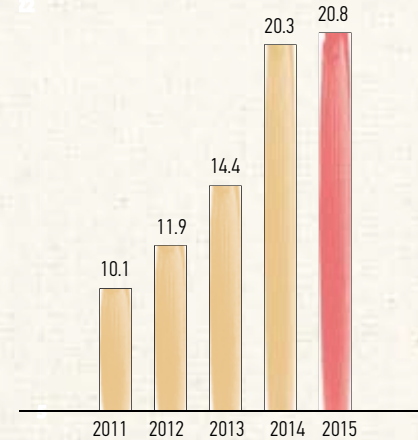
In the medium term, the Company's plants are planning to put their new process facilities on-stream and optimize operating processes as they are commissioned. Efficiency enhancement programs (Roadmaps until 2018) were developed for all entities.

LUKOIL Group's oil refineries are included in lists of systemically important enterprises of Russia. They have a substantial impact on relevant Gross Regional Products, employment levels and social stability in their regions. Over eight thousand people are employed by the Company's Russian refineries.

Production of Euro-5 Motor Gasolines by LUKOIL Group, million tonnes

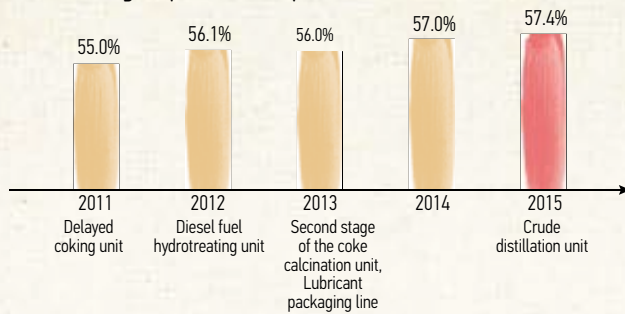


Production of Euro-5 Diesel Fuel by LUKOIL Group, million tonnes



Volgograd Refinery (founded in 1957, part of the Group since 1991)

Yield of light petroleum products, %

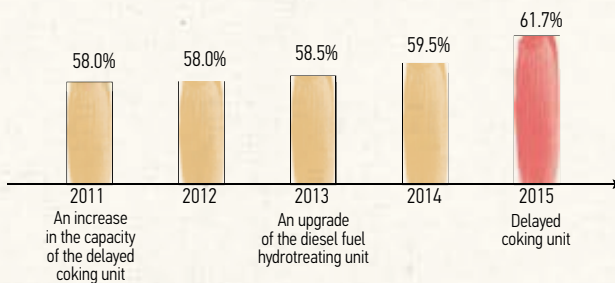


- Produces fuels and lubricants
- Processes a blend of light Western Siberian and Lower-Volga crudes
- Receives crudes via the Samara–Tikhoretsk oil pipeline

INVESTMENTS: RUB **16** BILLION

Effect: improved oil refining efficiency and the refinery's capacity increased to 15.7 million tonnes of oil per year

Perm Refinery (founded in 1958, part of the Group since 1991)

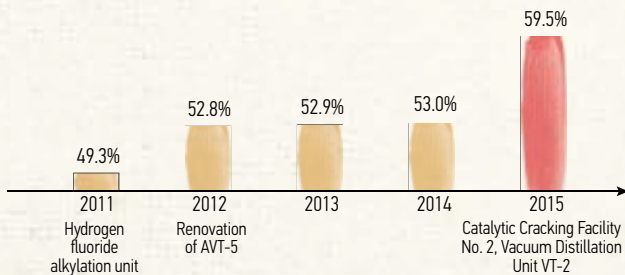


- Produces fuels, lubricants, and petrochemicals
- Refines a blend of crudes from the northern part of the Perm Territory and Western Siberia
- Receives crudes via the Surgut–Polotsk and Kholmogory–Klin oil pipelines

INVESTMENTS: RUB **30** BILLION

Effect: the refinery shut down its production of marketable heating oil and achieved Russia's record oil refining depth of 98% Euro-5 diesel fuel output increased by 1.1 million tonnes

Nizhny Novgorod Refinery (founded in 1958, part of the Group since 2001)

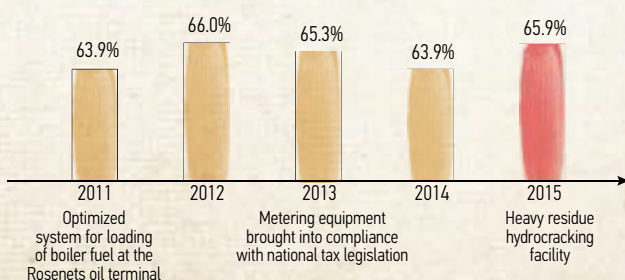


- Produces fuels and lubricants
- Refines a blend of crudes from Western Siberia and Tatarstan
- Receives crudes via the Almeteyevsk–Nizhny Novgorod and Surgut–Polotsk oil pipelines

INVESTMENTS: RUB **33** BILLION

Effect: increase in the output of Euro-5 gasoline by 1.1 million tonnes; improved oil refining depth

Burgas Refinery (Bulgaria) (founded in 1964, part of the Group since 1999)



- Produces fuels and petrochemicals
- Refines various crudes (including Russian export blends)
- Receives crudes via a pipeline from an oil terminal at the port of Rosenets

INVESTMENTS: \$**1.3** BILLION

Effect: Higher crude conversion, shutdown of high-sulfur heating oil production, increase in production of Euro-5 diesel fuels

Production of Lubricants

DEVELOPING PREMIUM BUSINESS SEGMENTS

2015 Results

- LUKOIL's share in the global market of marine lubricants grew from 5% in 2014 to 9.5% in 2015. Each twelfth vessel in the world uses lubricants produced under PJSC "LUKOIL" trademarks (LUKOIL lubricants).
- The completion of a reservoir park in Austria that will allow increasing supplies to the European market of base oils produced by the Volgograd Refinery.
- LUKOIL's sales of synthetic lubricants for cars doubled in 2015.
- Launch of LUKOIL's GENESIS lubricants in the Russian market in September 2015
- Over 150 new approvals were received from leading manufacturers of machinery and equipment, including from MAN, Porsche, Mercedes, BMW, and others
- LUKOIL lubricants were first used to factory-fill MAN and NEOPLAN cars and buses. LUKOIL lubricants were also selected to factory-fill all Ford engines released in Russia by Ford Sollers engine plant in Yelabuga.
- Enhanced product portfolio: an increase in the lube mix to 400 items

2016 Priorities

- Increase the share of high added value products; streamline low-margin segments
- Pursue import substitution further on
- Expand the distribution geography and strengthen cooperation with major consumers
- Enhance the product portfolio by expanding the lube mix to over 420 items

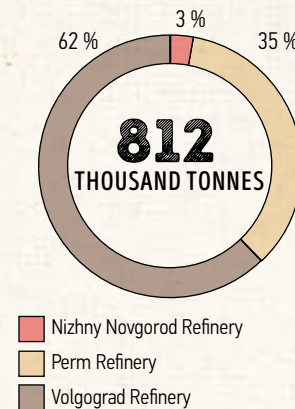
In 2015, LUKOIL kept working on increasing the share of high added value products and streamlining low-margin segments. The total amount of lube output in 2015 was reduced by 15.1% and came to 929 thousand tonnes. Sales of high-margin lubricants produced in Russia grew by 28.2%. The output of LUKOIL's high-margin lubricants across the Group increased by 17.0%.

In 2015, the Company completed the construction of a terminal for transshipment and storage of bulk lubricants in Austria (Vienna) including a reservoir park and a mooring facility for river supplies of base oils to streamline the supply chain to the maximum. The project led to a decrease in transportation costs by 1.5 times.

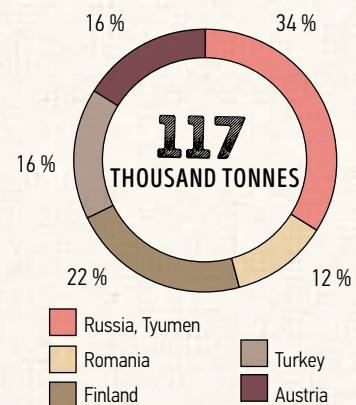
Product mix renewal

The Group remains particularly focused on developing its product mix in line with the market demand. In 2015, the Company developed 52 new types of lubricants and reformulated 57 products.

Full cycle of lubricant production



COTS-based lubricant production



Authorized service stations

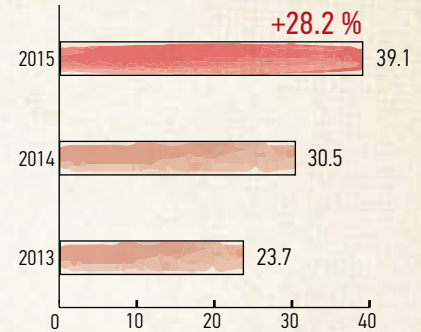
Since 2013, the amount of supplies to authorized service stations grew threefold. As of late 2015, LUKOIL lubricants are supplied to all main authorized service stations, including ROLF, AvtoSpetsCenter, MAJOR, Avtomir, and Nezavisimost.

LUKOIL became an innovative company in maritime shipping

LUKOIL won the Technical Innovation Award at the annual SeaTrade Maritime Awards.

SeaTrade experts recognized the Company's contribution to the development of lubricants for maritime shipping. Specifically, LUKOIL has developed a new mix of biodegradable synthetic lubricants meeting the strictest requirements and up-to-date safety standards, and iCOLube, an intelligent cylinder oil lubrication system.

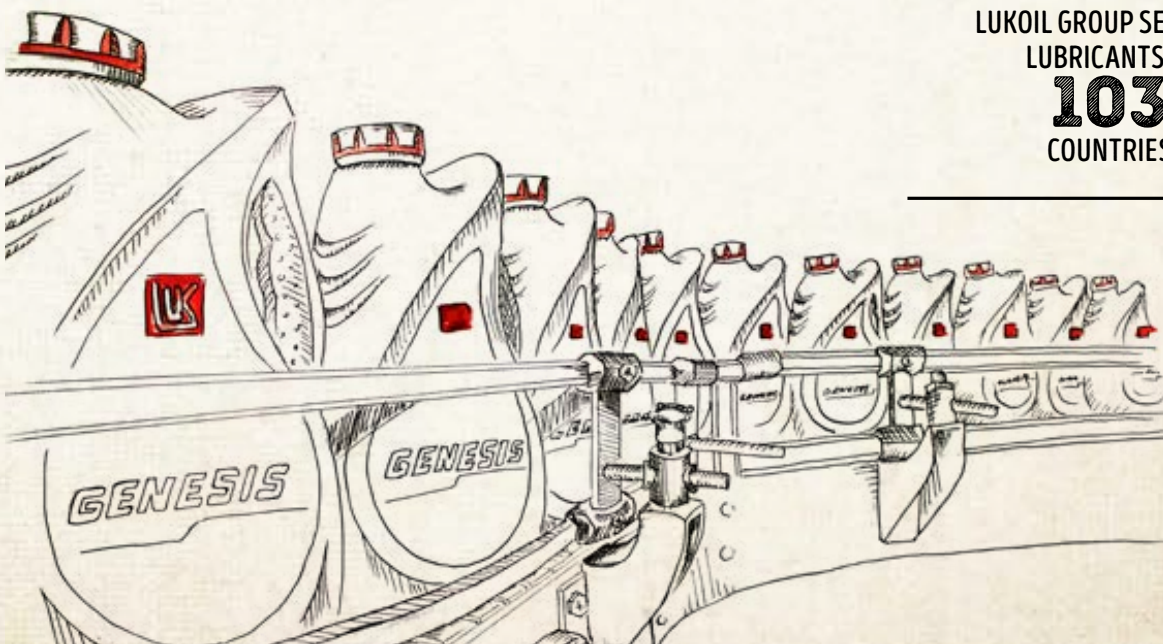
Sales of high-margin lubricants produced in Russia, thousand tonnes



45%
LUKOIL GROUP'S SHARE OF
LUBRICANT PRODUCTION IN RUSSIA

9.5%
LUKOIL GROUP'S SHARE OF THE
INTERNATIONAL MARKET FOR
MARINE LUBRICANTS

LUKOIL GROUP SELLS ITS
LUBRICANTS IN
103
COUNTRIES



Gas Processing

2015 Results

- Revamping of the Usinsky Gas Processing Plant: equipment assembly completed by 96%; assembly of on-site utilities, 95%; and assembly of inter-site utilities, 73%

2016 Priorities

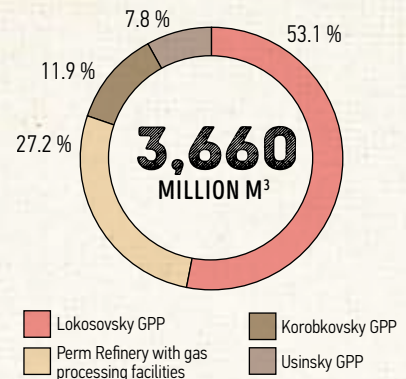
- Complete the revamping of the Usinsky GPP, which will increase its APG treatment and processing capacity from 200 to 600 million cubic meters, including 100 million cubic meters of sour gas coming from the Usinskoye field

The Group's GPPs process APG produced in Russia into marketable gas (fed into the national pipeline system of Gazprom) and liquid hydrocarbons.

In 2015, the amount of oil and wet gas processing grew by 5.3% mostly due to an increase in output at the Perm GPP after new capacities were commissioned in late 2014.

In 2015, the output of natural gas liquids at the Group gas processing plants in Western Siberia, Ural and Volga regions of Russia was 12.7 millions of barrels of oil equivalent, compared to 13.9 million boe in 2014.

Gas processing



Petrochemicals

2015 Results

- **Stavrolen:** construction, assembly and startup were completed for the first stage of the gas processing plant (GPU-1) implemented under the program for integrated development of Northern Caspian fields
- **Saratovorgsintez:** completed Stage 1 of the expansion project to increase sodium cyanide output to 30 thousand tonnes per year

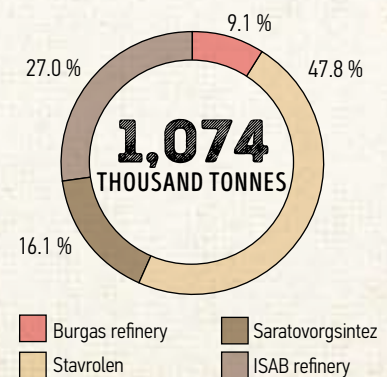
2016 Priorities

- **Stavrolen:** integration of gas processing at GPU-1 with petrochemical facilities

The output of LUKOIL Group's plants in Russia and Bulgaria includes pyrolysis products, organic chemicals, fuel fractions and polymers. The Group meets a significant portion of domestic demand for various chemicals and is also a major exporter of chemicals to more than 30 countries.

In 2015, the Company increased its output of petrochemicals by 60.6% by launching operations at Stavrolen.

Output of petrochemicals,
thousand tonnes



Power Generation

ENHANCING EFFICIENCY OF FACILITIES

2015 Results

- Capacity supplies started on the wholesale market; a 135 MW CCGT brought online at Stavrolen
- A 200 MW, 435 Gcal/h CHPP commissioned at the Perm refinery
- Unit 2 steam turbine and Unit 1 retrofitted and put in operation at Rostov CHPP-2

2016 Priorities

- Construction of power generating centers to be continued at the Yaregskoye and Usinskoye fields
- The first 100 MW capacity to be commissioned at the 125 MW power generating center in Usa
- Capacity expansion at the boiler plant in Rostov-on-Don; modernization of the heating network in Astrakhan

LUKOIL Group's core generating assets are located in the Southern Federal District of Russia. The Group also operates supporting (small-scale) generating facilities with a total installed capacity of over 1,100 MW (including a CHPP at the Burgas refinery and launch of a CHPP at the Perm refinery). These facilities are located mostly in Western Siberia and the Republic of Komi. LUKOIL's grids, distributors and service providers are concentrated around its generating assets and tied to the regions of its upstream and downstream operations.

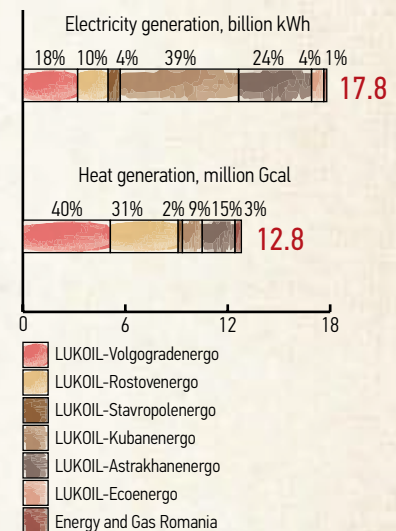
Commercial power generation

Since 2011, LUKOIL has successfully implemented four projects under the Wholesale Capacity Supply Agreement providing for the return on investments in the construction of state-of-the-art thermal power plants. In Southern Russia, the Company commissioned 949 MW in total power generating capacity, or 59 MW more than its commitment under the Agreement, including a 410 MW CCGT in Krasnodar, a 110 MW CCGT and a 235 MW CCGT in Astrakhan, and a 135 MW CCGT at Stavrolen. The Company has performed its obligations to the Government in full and on time.

LUKOIL will make further strategic steps to develop commercial power generation, focusing on a higher cost efficiency and reliability of its generating facilities. These will comprise a shift of heat generation load from low-efficiency boiler plants to CHPPs and subsequent shutdown of such boilers. In particular, the nearest plans cover the thermal load shift to CHPPs in Astrakhan and Rostov-on-Don.

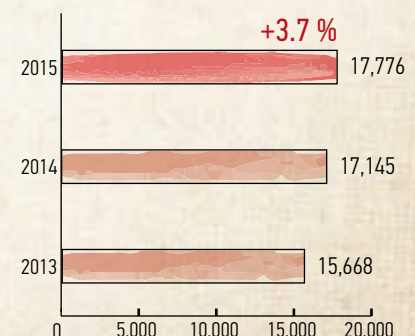
COMPLETION OF THE WHOLESALE CAPACITY
SUPPLY AGREEMENT
949 MW
IN CAPACITY COMMISSIONED OVER 5 YEARS

Electricity and Heat Generation*



* Excluding small-scale power generation. In 2015, the CHPP at the Burgas refinery (Bulgaria) was recorded as an asset of the refinery (a small-scale generating asset).

Electricity generation*, million kilowatt-hours



* Excluding small-scale power generation. In 2015, the CHPP at the Burgas refinery (Bulgaria) was recorded as an asset of the refinery (a small-scale generating asset).

Small-scale power generation

Aiming at power cost cuts, LUKOIL develops in-house small-scale power generation facilities, including those running on APG and its products, thus minimizing the Group's reliance on external suppliers.

Currently, LUKOIL is constructing power generating centers at the Yaregskoye and Usinskoye

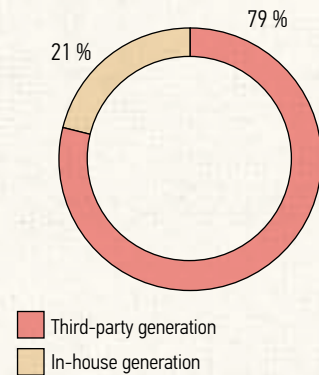
Renewable energy

LUKOIL Group's core renewable energy assets are located in Russia (four HPPs with a total installed capacity of 297.8 MW generating 639 GWh). In 2015, a modernization program was launched at the Belorechensk HPP to improve its reliability and overall efficiency.

In 2015, LUKOIL and ERG Renew signed the Asset Sharing Agreement, according to which LUKOIL consolidated a 100% share in the Land Power wind farm in Romania (installed capacity of 84 MW generating 211 GWh). The electric power from wind power plants in Romania is fed into the grid and charged at a specific rate. All electric power from in-house generation is sold on an arm's length basis. The Group also obtains tradable green certificates, which greatly enhances project economics.

The Company also commissioned a 9 MW solar power plant in Romania and a 1.25 MW solar power plant in Bulgaria. The both solar plants are built on vacant land within the refinery sites.

Power consumption by Group companies



Oil & Gas Sales

2015 Results

- Lower domestic sales, but higher exports offering more attractive margins as a result of the tax incentive
- Streamlined transport costs from the growing reliance on corporate-owned sea terminals (up 8.7%)
- Rising sales of oil (from the Caspian and Yaregskoye fields) at reduced export duty rates

2016 Priorities

- Optimal oil distribution in the changing market environment while maintaining efficient utilization of key export terminals
- Diversification of sales markets

CRUDE OIL

LUKOIL Group's priority in sales is to optimize distribution of oil flows between export and domestic markets based on the market environment so as to maximize profits.

The Company's total sales of crude oil, including processing at corporate-owned refineries, amounted to 143 million tonnes in 2015. Given the higher margins of export sales vs. most destinations on the domestic market, the Group refocused substantial oil volumes from low-margin domestic sales to export markets. Although oil exports in 2014 were less profitable than domestic sales, the tax incentive introduced by the Government in 2015 reversed the situation.

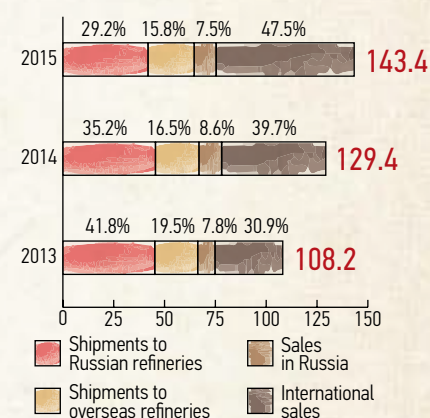
Oil exports

Due to refocused supply, oil exports increased by 14.6% to 34.2 million tonnes in 2015. The share of exports outside of the Customs Union increased from 87% to 89%, and so did the utilization rate of the corporate transport infrastructure on the back of growing production in the Komi Republic.

Transshipments at company-owned terminals went up by 13.4% to reach 7.6 million tonnes mostly due to an increase in oil shipments via Varandey terminal by 5.3% (to 6 million tonnes) from Trebs and Titov fields. Oil is shipped to the terminal through the Kharyaga – Yuzhnoye Khylichuyu pipeline. Exports through the port of Svetly amounted to 0.8 million tonnes.

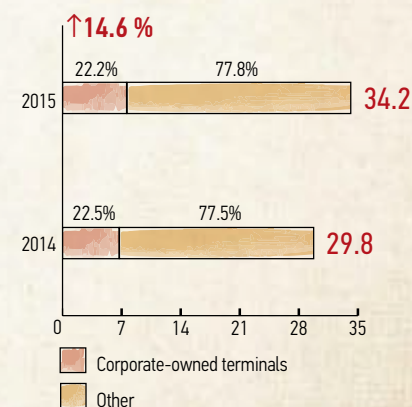
In 2015, the Company increased oil shipments via the Eastern Siberia – Pacific Ocean pipeline and the Kozmino port up to 1.5 million tonnes. This route enables sales of light crude without mixing it with inferior grades, offering higher efficiency vs. traditional westbound exports. Entry to Asia Pacific markets fits into the sales market diversification strategy of the Company.

Crude sales breakdown, million tonnes



Including petroleum products shipped to ISAB and Zeeland.

Oil Exports from Russia, million tonnes



Oil Shipments to Refineries

Processing at Russian refineries remained the most efficient way of using crude oil produced by the Group. Although the tax incentive in the oil industry caused a slight decline in refining margins, much secondary refining capacity commissioned by the Company in 2015 offset the decline to a major extent and strengthened its competitive position. Oil shipments to the Group's refineries in Russia reached 41.9 million tonnes in 2015. Feedstock shipments to overseas refineries, whether owned or affiliated, was 22.6 million tonnes in the same year, while oil shipments for processing at third-party refineries amounted to 0.9 million tonnes.

Domestic Sales

In 2015, the Company sold 10.8 million tonnes on the domestic market, down 2.2% y-o-y.

International trade

The Company is set to develop international trade by increasing its scale and geographic coverage. Simultaneously, it expands the presence in oil producing regions of West, Sub-Saharan and South Africa and carries out projects in Central America and Colombia. LUKOIL's top priority going forward is to further market crude oil from West Qurna-2 in Iraq. The Group is building long-term relationships with the largest consumers in Southeast Asia, the USA and other countries targeting the most efficient distribution of petroleum products.

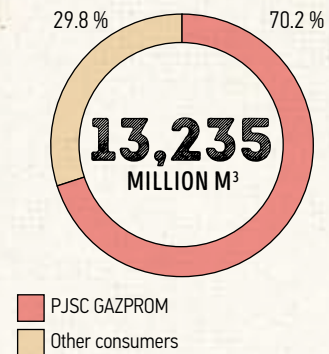
GAS

In 2015, LUKOIL Group sold 20.3 billion cubic meters of marketable gas, up 1.4% y-o-y. The weighted average selling price of gas in Russia grew by 2.4% year-on-year and reached almost RUB 2,173 per mcm.

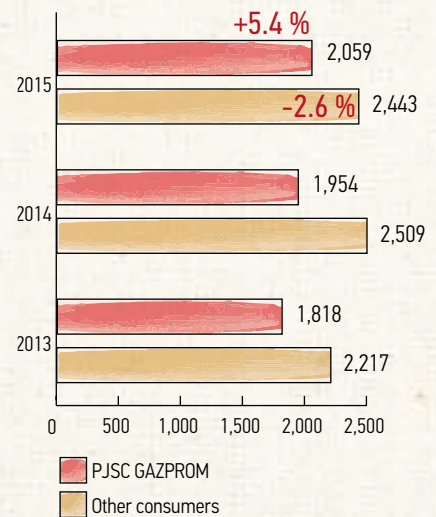
LUKOIL GROUP'S TRADING
OPERATIONS COVER

91
COUNTRY

Breakdown of gas sales
in Russia, including shipments
to Group-owned GPPs



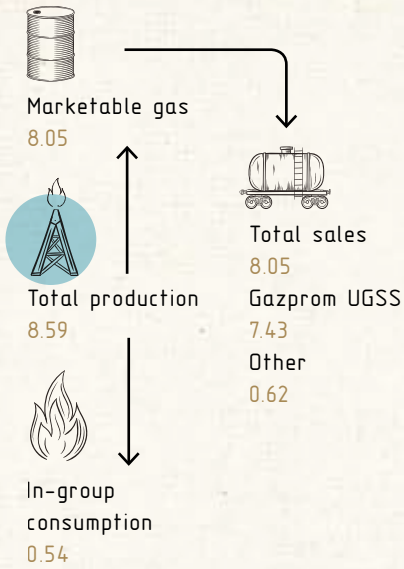
Gas selling price,
RUB per thousand m³



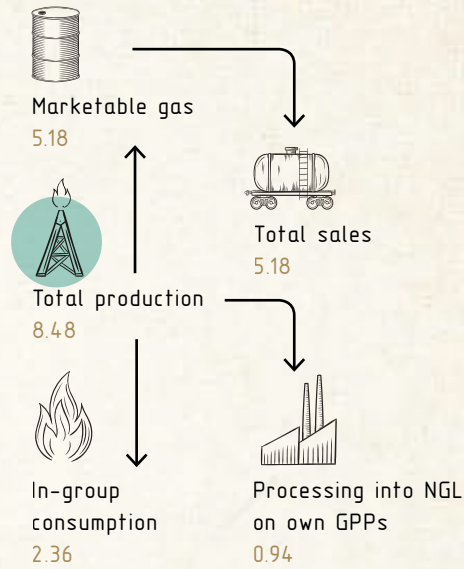
GAS PRODUCTION AND SHIPMENTS

Russia

Natural gas, billion m³

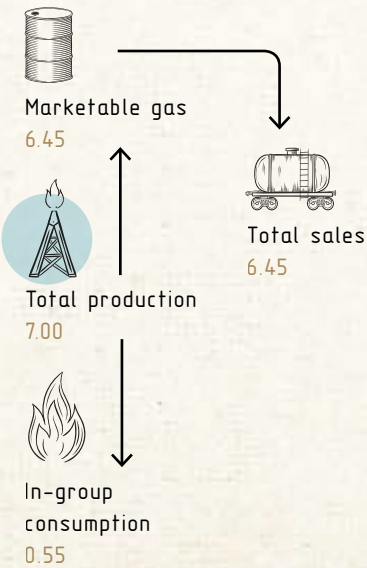


Associated gas, billion m³

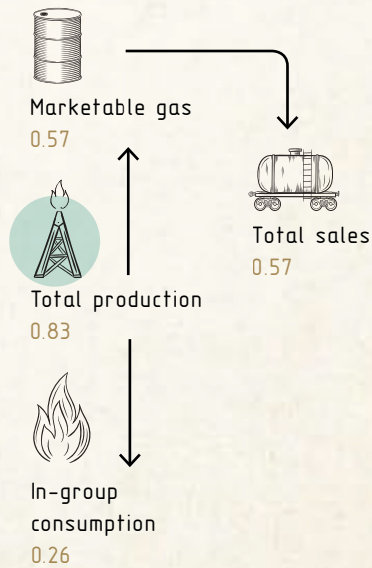


Overseas

Natural gas, billion m³

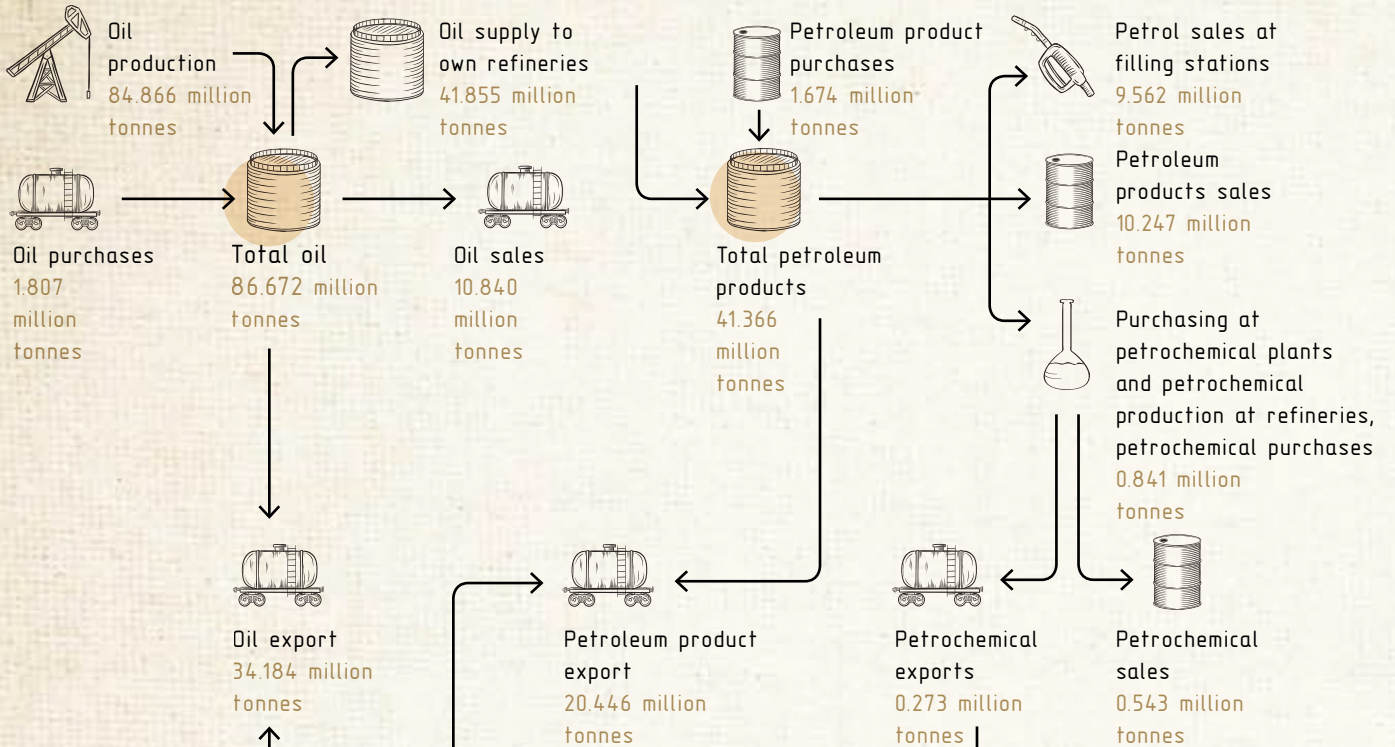


Associated gas, billion m³

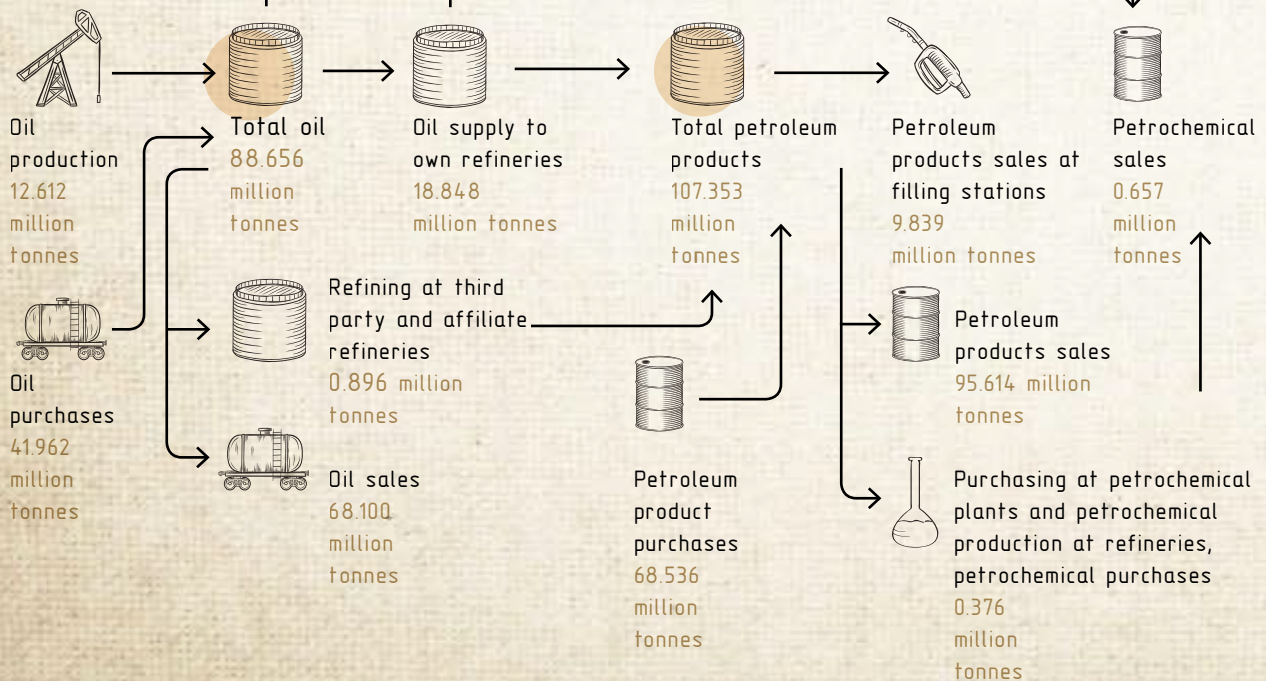


OIL PRODUCTION AND SHIPMENTS

Russia



Overseas



Sales of Petroleum Products

2015 Results

- Streamlined costs through decommissioning of loss-making and low-efficiency filling stations, outsourced auxiliary operations and expanded automatic station chain
- Developed premium business segments: into-plane aviation fuel sales up 13.0%

2016 Priorities

- Continue improvement of the distribution network through customer focus, higher non-fuel sales and optimization of inefficient distribution assets

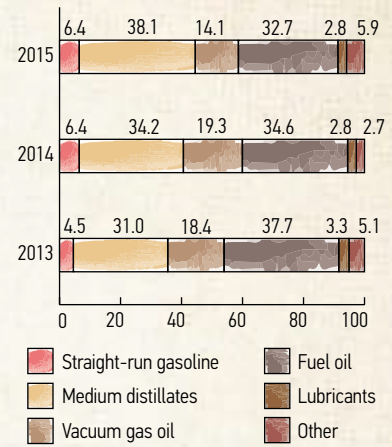
WHOLESALE OPERATIONS

Oil product exports in 2015 slumped by 12.5% to 20.4 million tonnes, driven mostly by a decrease in capacity utilization of Russian refineries due to optimization of oil refining efficiency in the wake of tax incentives and market conditions. After high-performance deep refining facilities were put in operation in 2015, exports of light products increased while dark petroleum products demonstrated a downturn. For instance, the share of fuel oil and vacuum gas oil in exports reduced to 32.7% (34.6% in 2014) and 14.1% (19.3% in 2014), respectively. The share of diesel fuel increased to 38.1% (34.2% in 2014).

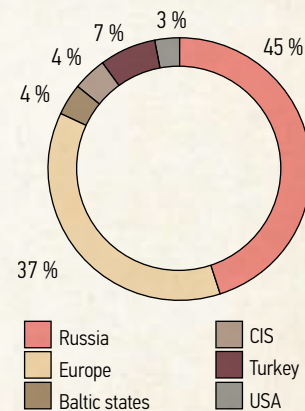
Transportation by rail accounts for about 78% of oil product exports of the Group. Particularly, oil products were transported by rail to the terminal in Vysotsk. A total of 11.0 million tonnes of oil products were shipped via the terminal in 2015.

Oil products are also exported by ship and via pipeline (respectively 7% and 15% of total exports by the Company). Pipeline exports are faster and more economically efficient, so LUKOIL makes every effort to increase them.

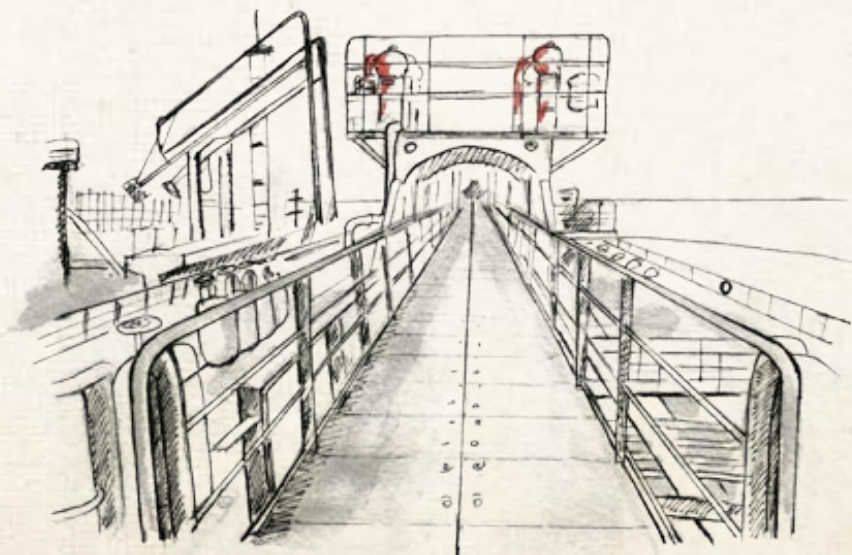
Export mix by petroleum product, %



Sales of Group's petroleum products*



* Wholesale and retail.



Bunkering. LUKOIL is currently one of the largest suppliers of bunker fuel at sea and river ports in Russia, with operations covering six Russian regions. LUKOIL's bunkering fleet consists of 18 tankers with a total dead weight of 48 thousand tonnes and operates mainly at ports on the Baltic Sea, the Barents Sea and the Black Sea, and also on Russia's inland waterways.

Aircraft Refuelling. LUKOIL sells both company-produced and third-party aviation fuel, mostly into-plane fuel, at airports in Russia and abroad through its own subsidiaries or third-party refuelling companies. The into-plane fuel sales rose by 13.0% to 1.7 million tonnes in 2015.

LUKOIL's long-standing consumers of aviation fuel include the largest Russian airlines and civil aviation companies. In 2015, into-plane fuel sales were made at 29 Russian airports.

As recommended by the Russian Federal Antimonopoly Service, LUKOIL trades aviation fuel on commodity exchanges on a monthly basis. In 2015, the Group sold 283 thousand tonnes of aviation fuel on commodity exchanges (over 13% of LUKOIL-produced fuel vs. the recommended minimal share of 10%).

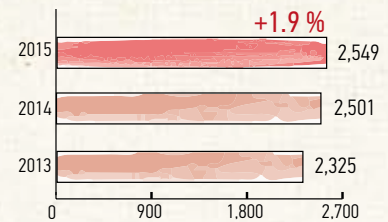
RETAIL OPERATIONS

LUKOIL sells company-produced petroleum products in the retail market via its well diversified distribution network of 5,556 filling stations and 142 oil depots in 22 countries. In 2015, the Group sold a total of 19.4 million tonnes of petroleum products, down 3.1% y-o-y. The decline was driven by decrease in purchasing power, as well as by reduction in the number of fuelling stations after the optimization of non-integrated distribution assets.

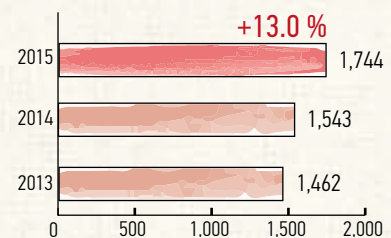
Distribution network optimization. In 2015, LUKOIL continued optimization of its distribution network to reduce costs and improve efficiency. The Group optimized 12 filling stations and 4 oil depots in Europe and the CIS, including four filling stations sold, seven leased out, one closed down, three oil depots sold and one closed down. In Russia, the Group optimized 45 filling stations and five oil depots, including 33 filling stations sold, 11 leased out, one closed down, four oil depots sold and one suspended.

LICARD-based sales. In 2015, LUKOIL sold 6.5 million tonnes of petroleum products (up 19% y-o-y) worth over RUB 279 billion through its LICARD corporate non-cash fuel cards (for legal entities) and retail loyalty cards (for individuals). The total number of cards issued in Russia increased by 16% y-o-y and reached 7.9 million due to the joint loyalty promotion project of LUKOIL and Rosgosstrakh insurance company.

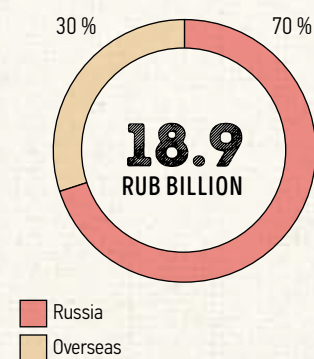
Bunker fuel sales,
thousand tonnes



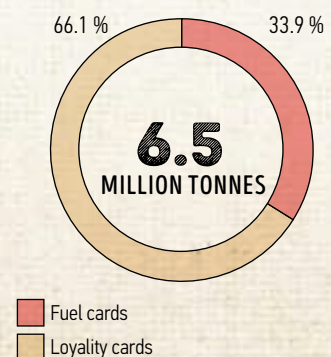
Into-plane petroleum products,
thousand tonnes



Capital investments in the
distribution network



LICARD-based sales

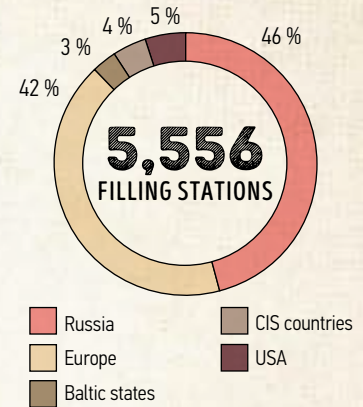


Non-fuel sales. In 2015, the Company continued its non-fuel sales development program as part of the segment development strategy. Non-fuel sales in Russia amounted to RUB 14.5 billion in 2015. Profit from non-fuel sales in Russia reached RUB 3,116 million, a 25% increase y-o-y. In 2015, non-fuel sales at filling stations abroad totalled RUB 21.0 billion, up 15% y-o-y. LUKOIL plans to increase associated sales by optimizing the product mix, improving fast food amenities at filling stations, marketing aggressively its value proposition, expanding value-added services, cooperating with major suppliers, using best commercial practices and enhancing customer service.

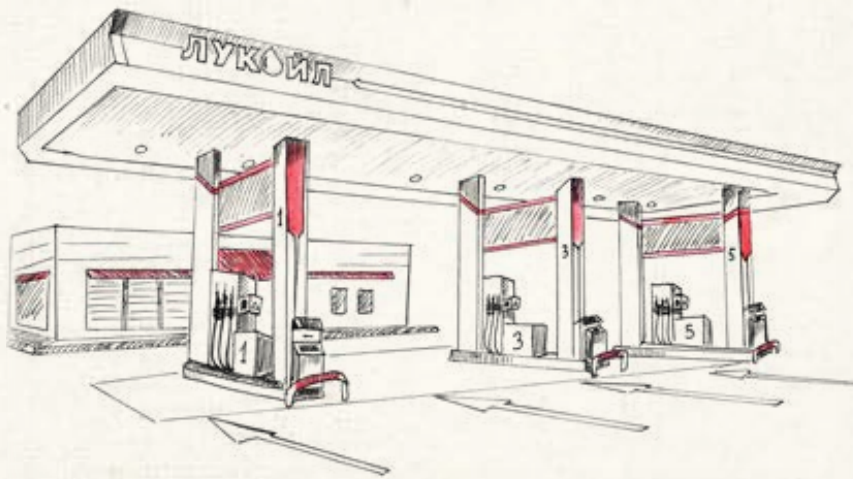
EKTO fuels. 2015 saw a steady increase in sales of motor fuels under the EKTO brand. The project coverage is expanding, with over a half of LUKOIL filling stations in Russia selling EKTO fuels. EKTO sales in Russia reached 4.9 million tonnes in 2015, up 7% y-o-y. EKTO accounted for 51% of the total retail sales of motor fuels in Russia (vs. 47% in 2014) while shares of diesel fuel and gasoline were 81% and 35%, respectively.

In 2014, LUKOIL continued its efforts to promote EKTO branded fuels abroad. Retail EKTO sales abroad amounted to 1.7 million tonnes in 2015.

LUKOIL Group's distribution network



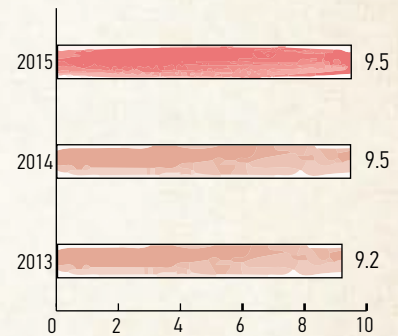
* Including owned, leased, franchised, and suspended stations.



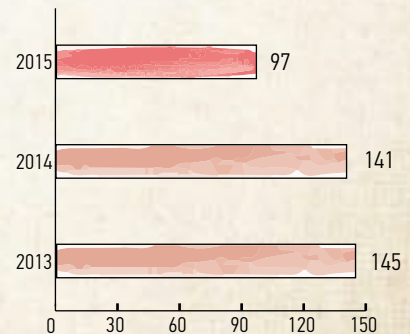
29%
LUKOIL'S SHARE OF BUNKER
FUEL SALES IN RUSSIA

13.0%
GROWTH IN THE PREMIUM SEGMENT
OF INTO-PLANE FUEL SALES

Average sales of petroleum products per Group filling station, tonnes per day



Commissioning of fuel stations in Russia



3

CORPORATE RESPONSIBILITY

Environmental protection.....	72
APG utilization.....	75
Fuel and energy consumption.....	76
Health and Safety.....	78
Personnel.....	80
Interaction with communities.....	84
Stakeholder Relations.....	88



Sustainability

The Company conducts its business in a sustainable way, seeking to strike a balance between socio-economic development and environmental sustainability. PJSC "LUKOIL" shares the principles of the United Nations Global Compact and the Social Charter of Russian Business, which is reflected in our efforts to promote sustainable economic growth and corporate social responsibility.

	2015 results	2016 priorities																		
Mitigating environmental impact																				
<p>APG utilization</p> <table border="1"> <tr><th>Year</th><th>APG utilization</th></tr> <tr><td>2015</td><td>92.0</td></tr> <tr><td>2014</td><td>90.1</td></tr> </table> <p>Waste disposal to generation ratio</p> <table border="1"> <tr><th>Year</th><th>Ratio</th></tr> <tr><td>2015</td><td>0.9</td></tr> <tr><td>2014</td><td>1.0</td></tr> </table> <p>Number of environmental incidents</p> <table border="1"> <tr><th>Year</th><th>Number of incidents</th></tr> <tr><td>2015</td><td>29</td></tr> <tr><td>2014</td><td>87</td></tr> </table>	Year	APG utilization	2015	92.0	2014	90.1	Year	Ratio	2015	0.9	2014	1.0	Year	Number of incidents	2015	29	2014	87	<p>Our key environmental impacts have been reduced – air emissions by 17.7%, waste water discharge by 5.9%, and contaminated land by 36.7%. The Company saw a decline in the number of environmental incidents. Up to 2.4% of pipeline (measured as a percentage of its total length) are replaced annually (as compared to the Russian industry average of circa 2%).</p> <p>During 2015, under the Efficient APG Use Program, 25 facilities were commissioned in the Caspian, in the Komi Republic, Perm, and Western Siberia. We also continued the implementation of our Usinsky GPP upgrade project. The plant start-up has been rescheduled for 2016 due to delayed equipment delivery by a contractor.</p>	<p>Further implementation of the Efficient APG Use Program.</p> <p>Following the completion of the Usinsky GPP upgrade, and completion of the amine-based gas conditioning unit project at the Vostochno-Lambeysorskoye field, the Group will see higher APG utilization rates in Timan-Pechora and across its operations in general. LUKOIL's plans include upgrading other production facilities, revamping and constructing gas treatment units, implementing projects for the effective use of APG across the Group's new assets, and repairing and replacing pipelines.</p>
Year	APG utilization																			
2015	92.0																			
2014	90.1																			
Year	Ratio																			
2015	0.9																			
2014	1.0																			
Year	Number of incidents																			
2015	29																			
2014	87																			
Ensuring industrial safety across all of the group's facilities																				
<p>Total injured, persons</p> <table border="1"> <tr><th>Year</th><th>Total injured</th></tr> <tr><td>2015</td><td>30</td></tr> <tr><td>2014</td><td>21</td></tr> </table>	Year	Total injured	2015	30	2014	21	<p>During 2015, we successfully passed the second compliance audit, completing the 2013–2015 certification cycle for LUKOIL Group entities' compliance with the requirements of ISO 14001 and OHSAS 18001 international standards. These efforts have helped reduce the likelihood of emergencies across LUKOIL Group.</p> <p>In recent years, the number of injuries has been steadily declining. Due to events beyond the Group's control (a plane crash) and some other reasons, in 2015, we showed somewhat lower performance on this metric.</p>	<ul style="list-style-type: none"> • Improved working conditions • Drills and training • Planning and preventive initiatives 												
Year	Total injured																			
2015	30																			
2014	21																			
Human capital																				
<p>Revenue per employee, RUB million</p> <table border="1"> <tr><th>Year</th><th>Revenue per employee</th></tr> <tr><td>2015</td><td>54.1</td></tr> <tr><td>2014</td><td>49.9</td></tr> </table>	Year	Revenue per employee	2015	54.1	2014	49.9	<p>By integrating its process management hierarchy and streamlining the structure of its subsidiaries, the Company successfully improved its KPIs, with revenue per employee going up by 8.5%, to RUB 54.1 million.</p>	<ul style="list-style-type: none"> • Personnel monitoring and strategic planning • Leveraging talent pool, improving succession planning, and fostering training and motivation systems • Developing experience sharing and knowledge management 												
Year	Revenue per employee																			
2015	54.1																			
2014	49.9																			
Responsibility in the regions of operations																				
<p>Charity expenses*, RUB billion</p> <table border="1"> <tr><th>Year</th><th>Charity expenses</th></tr> <tr><td>2015</td><td>7.929</td></tr> <tr><td>2014</td><td>6.997</td></tr> </table> <p>* Includes expenses for sponsorship, agreements with Russian regions and municipal entities.</p>	Year	Charity expenses	2015	7.929	2014	6.997	<p>An active supporter of social projects across its geography, the Company annually increases its allocations to charity and sponsorship. In 2015, for instance, these allocations grew by 13.3% as we increased our social investments in sports (almost three-fold), support for indigenous and minority peoples of the North, and preservation of cultural and historic heritage.</p>	<p>Social and economic development and better quality of life for local communities.</p>												
Year	Charity expenses																			
2015	7.929																			
2014	6.997																			



Motivation KPI

is factored in when calculating the annual bonus payable to top managers, it reflects team performance (except for TSR which is factored when calculating long-term incentives).



Group's KPI

is used for the Group's performance assessment.

Environmental protection

RESPONSIBLE USAGE OF NATURAL CAPITAL

2015 results

- Air emissions cut by 17.7%; APG utilization reached 92.0%
- Waste water discharge reduced by 5.9%
- Contaminated land reduced by 36.7%
- Decline in the number of environmental incidents

2016 priorities

- Further APG utilization rate improvement
- Zero environmental impact from emergencies and incidents
- Lower consumption of water resources
- Waste disposal to generation ratio of 1 and above

Aware of its responsibility to society for the sustainable use of water resources and preserving the environment, LUKOIL seeks to conform with the highest environmental protection and industrial safety standards.

In 2015, the Company saw a decline across a number of its key environmental impact indicators.

LUKOIL

came top in the
environmental
rankings



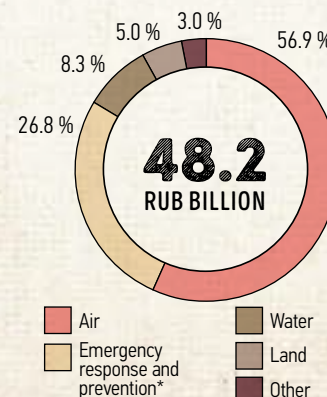
PJSC "LUKOIL" ranked in the top five of the environmental responsibility rating of oil & gas companies in Russia. The annual ranking is compiled by the World Wide Fund for Nature (WWF) Russia and CREON consulting group using the results of the environmental impact assessment of participating oil & gas companies. PJSC "LUKOIL" received top scores for its environmental activities and quality of corporate governance. The Company was the first in the Russian fuel and energy sector to start regular publication of sustainability report, which highlights the sustainable use of natural resources among other things. The environmental performance of companies in the fuel and energy sector was assessed on a number of areas such as Environmental Management, Environmental Impact, and Disclosure/Transparency. A total of 21 oil & gas companies participated in the 2015 rating.

LUKOIL's participation in the Carbon Disclosure Project (CDP)

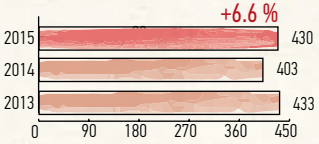
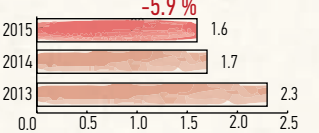
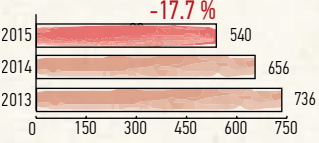
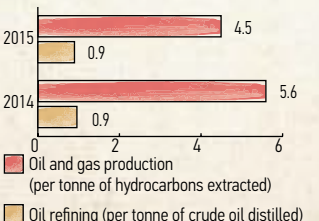
LUKOIL continued its participation in the Carbon Disclosure Project (CDP), an international initiative incentivizing companies to disclose information on greenhouse gas emissions from their core operations. In 2015, the Company improved its score in CDP's rankings for corporate responsibility to tackle climate change to 40 points (16 points in 2014). Validated data for greenhouse gas emissions, planned for publication in 2016, will allow the Company to report more detailed information under CDP on its performance in 2015.

CDP is an international project through which companies disclose information on their greenhouse gas emissions, with major international industrial companies disclosing to investors holding \$95 trillion in assets under management.

Breakdown of 2015 environmental protection expenses



* Including pipeline diagnostics and replacement.

Goals	Item	Key 2015 initiatives																	
Water																			
<p>Sustainable use of water resources, prevention of water pollution</p>	<p>96% of water consumed by LUKOIL Group is used in operations; of this amount, around 70% is consumed by heat and power generating facilities and 18% by reservoir pressure maintenance systems.</p> <p>Water consumption, million m³</p>  <table border="1"> <caption>Water consumption, million m³</caption> <tr><th>Year</th><th>Consumption</th></tr> <tr><td>2015</td><td>430 (+6.6%)</td></tr> <tr><td>2014</td><td>403</td></tr> <tr><td>2013</td><td>433</td></tr> </table> <p>Waste water discharge, million m³</p>  <table border="1"> <caption>Waste water discharge, million m³</caption> <tr><th>Year</th><th>Discharge</th></tr> <tr><td>2015</td><td>1.6 (-5.9%)</td></tr> <tr><td>2014</td><td>1.7</td></tr> <tr><td>2013</td><td>2.3</td></tr> </table>	Year	Consumption	2015	430 (+6.6%)	2014	403	2013	433	Year	Discharge	2015	1.6 (-5.9%)	2014	1.7	2013	2.3	<ul style="list-style-type: none"> • revamping and upgrading existing treatment facilities; • constructing new treatment facilities at the Pyakyakhinskoye field; • Inspecting pipeline crossings over water bodies; • Purifying ground water contaminated by drainage systems. 	
Year	Consumption																		
2015	430 (+6.6%)																		
2014	403																		
2013	433																		
Year	Discharge																		
2015	1.6 (-5.9%)																		
2014	1.7																		
2013	2.3																		
<p>Preserving biodiversity</p>	<p>During 2015, with financial support from the Company, 67.4 million high-value fish fingerlings were grown and released into Russia's rivers, including:</p> <ul style="list-style-type: none"> • Small fingerlings (under 3 grams): Western Siberia – 65.6 million fish, the Komi Republic – 0.13 million fish; • Medium fingerlings (under 15 grams): the Perm Territory – 0.838 million fish; • Large fingerlings (under 50 grams): the Caspian – 0.812 million fish. 	<ul style="list-style-type: none"> • Financing fish breeding to replenish their populations in the Caspian, Komi Republic, Western Siberia and other regions, with the Company spending RUB 153 million in 2015 on this initiative. • Participating in the UNDP's Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations Russian project, with North Caspian and Timan-Pechora selected among the project's pilot regions. • Development and adoption of the target corporate biodiversity program. 																	
Air																			
<p>Minimizing air emissions</p>	<p>LUKOIL Group companies' E&P assets account for the bulk of the Group's air emissions (85%), while APG flaring products represent up to 65% of total emissions, based on the current utilization rate.</p> <p>Air emissions, thousand tonnes</p>  <table border="1"> <caption>Air emissions, thousand tonnes</caption> <tr><th>Year</th><th>Total Emissions</th></tr> <tr><td>2015</td><td>540 (-17.7%)</td></tr> <tr><td>2014</td><td>656</td></tr> <tr><td>2013</td><td>736</td></tr> </table> <p>The key driver behind the reduction in air emissions is the higher APG utilization rate</p> <p>Air emissions, kg per unit of production</p>  <table border="1"> <caption>Air emissions, kg per unit of production</caption> <tr><th>Year</th><th>Oil and gas production (per tonne of hydrocarbons extracted)</th><th>Oil refining (per tonne of crude oil distilled)</th></tr> <tr><td>2015</td><td>4.5</td><td>0.9</td></tr> <tr><td>2014</td><td>5.6</td><td>0.9</td></tr> </table>	Year	Total Emissions	2015	540 (-17.7%)	2014	656	2013	736	Year	Oil and gas production (per tonne of hydrocarbons extracted)	Oil refining (per tonne of crude oil distilled)	2015	4.5	0.9	2014	5.6	0.9	<p>In 2015, the following key initiatives were implemented to reduce air pollution from our operations:</p> <ul style="list-style-type: none"> • 25 facilities worth over RUB 18.2 billion in total were put into operation across Russia under the Efficient APG Use Program; • Upgrading and constructing new CCGTs at high-efficiency generating facilities, such as LUKOIL-Stavropolenergo in Budennovsk; • Replacing equipment to reduce air pollution; • Optimizing technologies (adjustment of combustion parameters in furnaces and boilers); • Constructing sulphur-removal facilities, in particular in the Komi Republic and Volgograd; • Our oil refining, petrochemicals and gas processing facilities started developing terms of reference for the design and deployment of automated Environmental Monitoring and Industrial Control Systems.
Year	Total Emissions																		
2015	540 (-17.7%)																		
2014	656																		
2013	736																		
Year	Oil and gas production (per tonne of hydrocarbons extracted)	Oil refining (per tonne of crude oil distilled)																	
2015	4.5	0.9																	
2014	5.6	0.9																	

Goals	Item	Key 2015 initiatives																
Land																		
Higher accumulated waste disposal rate	<p>Waste utilization and disposal, thousand tonnes</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Waste utilization and disposal (thousand tonnes)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>957</td> </tr> <tr> <td>2014</td> <td>1,437</td> </tr> <tr> <td>2013</td> <td>1,315</td> </tr> </tbody> </table> <p>Lower industrial waste generation in 2015 was due to lower drilling activity.</p> <p>Industrial waste generation, thousand tonnes</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Industrial waste generation (thousand tonnes)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1,016</td> </tr> <tr> <td>2014</td> <td>1,437</td> </tr> <tr> <td>2013</td> <td>1,257</td> </tr> </tbody> </table>	Year	Waste utilization and disposal (thousand tonnes)	2015	957	2014	1,437	2013	1,315	Year	Industrial waste generation (thousand tonnes)	2015	1,016	2014	1,437	2013	1,257	<ul style="list-style-type: none"> Industrial waste landfills are under construction at new fields in Western Siberia and the Komi Republic In 2015, the Company's efforts to dispose of the waste accumulated before privatization helped reduce their total amount by 70 thousand tonnes. Switch to drilling fluids with more environmentally friendly composition with no negative impact on the environment.
Year	Waste utilization and disposal (thousand tonnes)																	
2015	957																	
2014	1,437																	
2013	1,315																	
Year	Industrial waste generation (thousand tonnes)																	
2015	1,016																	
2014	1,437																	
2013	1,257																	
Contamination prevention and sustainable use of land	<p>99% of environmental incidents are caused by failures in pipeline integrity. LUKOIL implements a set of scheduled activities to minimize pipeline failure risks. During 2015, we significantly reduced the area of contaminated land. Up to 2.4% of pipeline (measured as a percentage of its total length) are replaced annually. In 2015, major efforts to eliminate environmental damage caused by pipeline failures and reclaim contaminated land helped reduce the contaminated land area from 215 hectares to 136 hectares.</p> <p>Contaminated land, hectares</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Contaminated land (hectares)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>136</td> </tr> <tr> <td>2014</td> <td>215</td> </tr> <tr> <td>2013</td> <td>243</td> </tr> </tbody> </table> <p>Failures per km of pipeline</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Failures per km of pipeline</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>0.15</td> </tr> <tr> <td>2014</td> <td>0.15</td> </tr> <tr> <td>2013</td> <td>0.16</td> </tr> </tbody> </table>	Year	Contaminated land (hectares)	2015	136	2014	215	2013	243	Year	Failures per km of pipeline	2015	0.15	2014	0.15	2013	0.16	<ul style="list-style-type: none"> Purchases of state-of-the-art equipment to support containment and clean-up of possible oil spills. 40 emergency response teams were staffed and certified across the Company to respond to any potential oil spills. Expert training courses were launched Pipeline diagnostics and major repairs; use of corrosion inhibitors Disturbed or oil contaminated land reclamation. 40 emergency response teams were staffed and certified across the Company to respond to any potential oil spills.
Year	Contaminated land (hectares)																	
2015	136																	
2014	215																	
2013	243																	
Year	Failures per km of pipeline																	
2015	0.15																	
2014	0.15																	
2013	0.16																	



Motivation KPI

is factored in when calculating the annual bonus payable to top managers, it reflects team performance (except for TSR which is factored when calculating long-term incentives).



Group's KPI

is used for the Group's performance assessment.

APG utilization

Committed to preserving clean air, LUKOIL has a range of programs in place to utilize APG in an environmentally friendly way. As a result, Western Siberia, the Lower Volga, North Caspian and Baltic enjoy APG utilization rates of above 95%.

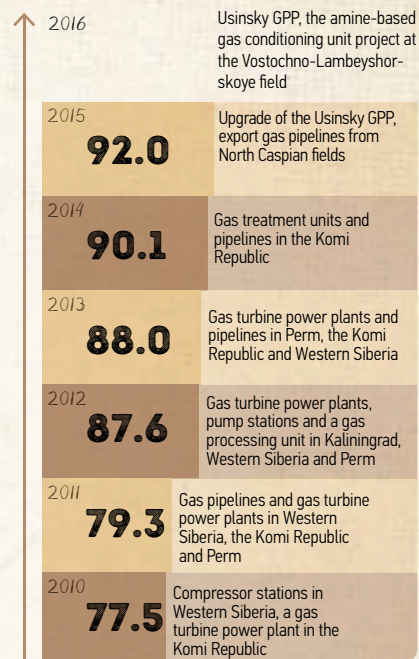
Today, LUKOIL uses APG reinjection to maintain pressure while also sending APG to GPPs.

APG is also used as a fuel for on-site gas-fired power plants, which helps cut electricity and oil production costs.

In 2015, the biggest gains in APG utilization rates (+10 p.p.) were seen in Timan-Pechora. However, the Company's APG utilization levels are still short of the target. To this end, one of the Company's top priority projects in efforts to curb air emissions is to upgrade the Usinsky GPP, where equipment was assembled in 2015.

In 2015, under the Group's Efficient APG Use Program for 2015-2017, LUKOIL designed, constructed and upgraded 25 APG utilization facilities.

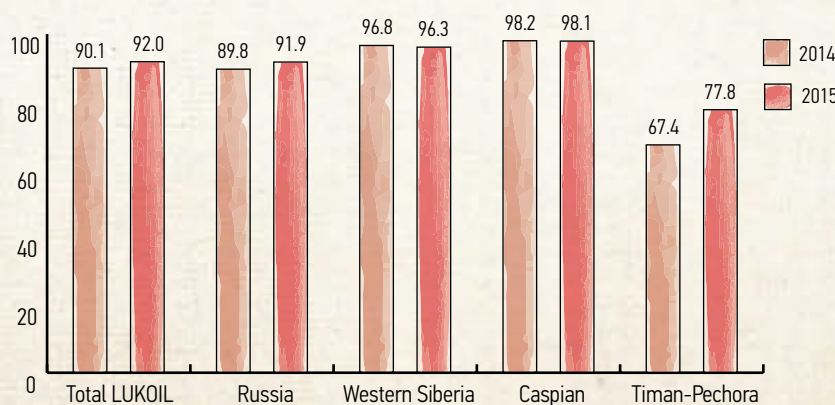
APG utilization, %



APG utilization projects completed in 2015

Region	Field	Facility
Western Siberia	Severo-Pokachevskoye	Revamped gas compressor station
	Serginskoye	Integrated APG utilization facilities with a total annual capacity of 6.2 mcm
Timan-Pechora	Kharyaginskoye	Compressor station at the Kharyaginskoye field, with an annual capacity of 300 million cubic meters and a gas drying unit
	Usinskoye	Usa-Pechora trunk gas pipeline
Urals		Zhilinskaya booster pump station-Chashkino metering station gas pipeline
Volga	Filanovsky	Gas pipelines from the field to Stavrolen

APG utilization in key regions of operation, %



OVER RUB **18** BILLION
INVESTED IN CONSTRUCTING APG
UTILIZATION FACILITIES IN 2015

Environmental considerations in the selection of suppliers and contractors

LUKOIL Group's entities purchase a significant volume of services from specialized suppliers and contractors. Special requirements in areas such as health, safety and environment are included in their selection criteria. Prospective bidders are expected to meet the following requirements:

- compliance with the requirements of OHSAS 18001 and ISO 14001 international standards;
- must have an environmental management system in place;
- no complaints about the performance of their environmental management system (over the last three years);
- must have environmental monitoring and industrial control systems in place;
- other requirements.

At the phase of analysis and evaluation of project design documents, bidders must demonstrate compliance with environmental regulations and the Company's environmental requirements, relevant experience, availability of an action plan, availability of production capabilities and skilled personnel, etc.

Fuel and energy consumption

Energy efficiency and energy saving across all operations is a strategic priority for PJSC "LUKOIL" and an important part of its cost-cutting and performance improvement initiatives.

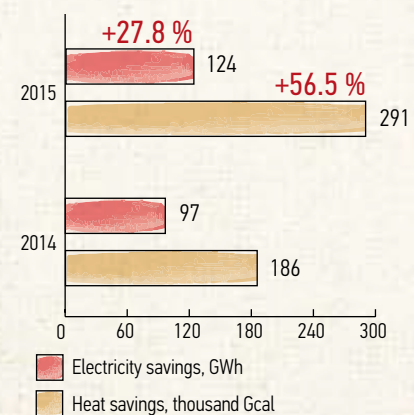
Efficient use of fuel and energy, which make up the bulk of the Group's opex, is among LUKOIL Group's major commitments. As part of its efforts to align its energy management with ISO 50001:2011, the Group is developing internal regulations to integrate energy management into existing business processes. During 2015, 31 Russian companies in LUKOIL Group were successfully certified for compliance.

In 2015, LUKOIL Group's Energy Saving Program for 2014 and 2015–2016 helped achieve significant savings.

Key energy saving initiatives in 2015 included replacing pumps, optimizing pump operation, and installing energy saving pumps and variable frequency drives; replacing and upgrading on-site equipment to enhance its efficiency; optimizing condensate collection and return; and upgrading lighting and heating solutions.

Fuel and energy consumed by LUKOIL Group are made up of electricity (38%), heat (17%), and fuel (45%).

Energy savings



Use of most advanced technologies

To improve its energy efficiency LUKOIL uses advanced technologies, including proprietary patented technologies. As part of its power plant re-equipment program, the Company introduced trigeneration technology. This technology provides the benefits of using waste heat for cooling and improving power plants' efficiencies during the summer time. A pilot project using this technology has been implemented at a 110 MW CCGT in Astrakhan. The effects from the implementation of the trigeneration technology pilot included

- a 3.4% higher installed capacity at the 110 MW CCGT;
- additional 27 GWh of electricity generated during 2015;
- improved efficiency of gas turbines (+1.3% on average) and lower fuel consumption (–3 grams/kWh);
- in addition to improved economics of the CCGT, the introduction of the cooling system has improved the overall reliability of the Astrakhan power grid. The Company has also started deploying the technology at a 235 MW CCGT in Astrakhan and a 135 MW CCGT in Budennovsk.

PJSC "LUKOIL" energy consumption, by type

Source of energy	2015 consumption	
	in volume terms	in value terms, RUB million (inclusive of VAT)
Electricity	19,646 MWh	87.9
Heat	16,584 Gcal	24.8

Energy efficiency initiatives

- **Using APG** at the Company's on-site power plants. The Company covers 21% of its energy needs by generating its own power, which is 30% to 40% cheaper than power from the external national grid.
- **Energy saving pumps.** In 2011–2015, LUKOIL Group launched 75 energy saving pumps, reducing electricity consumption at its facilities by an average of 18%.
- **Permanent magnet synchronous motors (PMSM).** The Company is actively focused on replacing asynchronous motors installed at submersible pump drives with PMSMs, cutting energy consumption in oil production by 20%–25%.

Health and Safety

ENSURING SAFETY

2015 results

- Reduced number of accidents and incidents, and environmental incidents
- Reduced number of lost-time incidents, with steady declines recorded in the number of lost-time incidents over the last five years in general.

2016 priorities

- Improving labor conditions, drills and training sessions
- Planning and preventive initiatives
- Corporate health and safety (H&S) system certified for compliance with OHSAS 18001
- Minimizing the Company's risks in health and safety, and in emergency response and prevention
- Zero fatal injury rate.

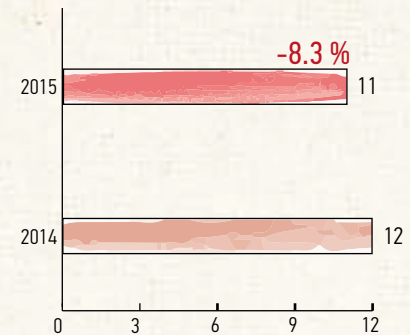
LUKOIL has consistently ranked high among Russia's largest oil & gas companies for its health and safety performance. In recent years, we have recorded steady declines in the number of injuries, and, accordingly, in the accident frequency rates (a key indicator used to assess performance when setting the HSE Compliance KPI). Due to events beyond the Group's control (a plane crash) and some other reasons, in 2015, we showed higher level on this metric. Over 2015, we have achieved an overall reduction in the number of accidents and incidents, and in the number of lost-time incidents across LUKOIL Group's facilities.

Our continued implementation of new, risk-based innovative approaches to ensuring safe operations and practices across LUKOIL Group's facilities will enable faster decision-making and stronger commitment of managers and employees, and help curb costs.

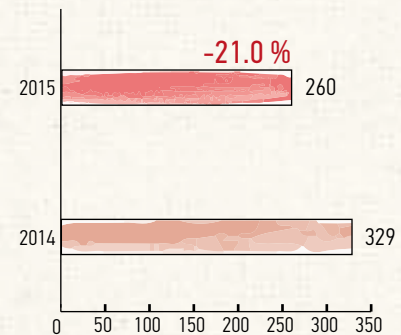
During 2015, we successfully passed the second compliance audit, completing the 2013–2015 certification cycle for LUKOIL Group entities' compliance with the requirements of ISO 14001 and OHSAS 18001 international standards.

In 2014, the Group carried on with its efforts to improve workplace conditions. This resulted in a better operating environment for just below 3,900 employees (around 2,200 workplaces).

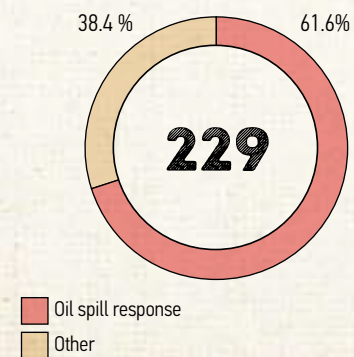
Number of accidents



Number of incidents



Drills conducted

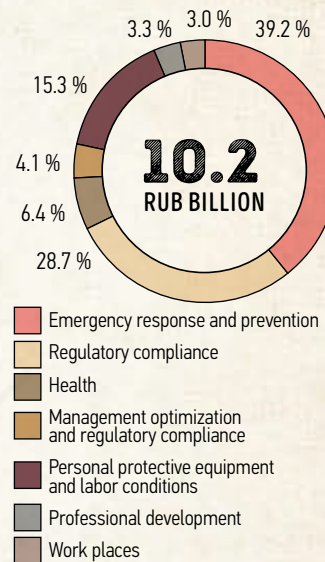


In 2015, over half of the drills held were focused on oil spill response at the Group's facilities, including at the following offshore production and transport terminals:

- Kaliningrad 2015 comprehensive drill (May 2015) focused on cooperation between own and engaged teams and resources at the location of D-6 offshore ice-resistant platform at the Kravtsovskoye oil field;
- International comprehensive drill in Vysotsk, engaging Finnish rescue vessels;
- Caspian 2015 comprehensive drill focused on response to oil and gas blowouts at the Korchagin OIFP and oil spill response at the Filanovsky offshore ice-resistant fixed facility (OIFF);

Combined, the set of planning and preventive measures across LUKOIL Group helped achieve zero emergencies in 2015. Regular drills and training sessions ensured the Company's readiness to respond to any potential spills.

Industrial safety expenses, 2015



Ensuring HSE compliance through the motivation system

To strengthen accountability for HSE compliance, the HSE Compliance KPI was included into LUKOIL Group's Set of KPIs. Guidelines were developed to assess performance against this KPI, factoring in the following indicators:

- Fatalities through the employer's fault;
- Compliance of the HSE management system with the requirements of ISO 14001:2004 and OHSAS 18001:2007 international standards;
- Accident frequency rate;
- Indicator of air emissions;
- Indicator of waste water discharge into surface water bodies;
- Ratio between the annual volumes of waste disposal and new waste generation;
- Other indicators.

HSE compliance assessment of LUKOIL Group entities is used as an input for the motivation system.

Personnel

FOSTERING LEADERSHIP

2015 results

- Implementation of the corporate knowledge management
- Training employees of the Group's entities in the energy asset management approaches used by Fortum of Finland
- Development of a framework to implement the national professional qualification system

2016 priorities

- Flexible and effective governance system
- HR monitoring and planning for the next decade
- Leveraging talent pool, improving succession planning and training and motivation systems
- Developing experience sharing and knowledge management by cooperating with leading international fuel and energy companies in the areas of knowledge and skills sharing and personnel training

LUKOIL pays special attention to the needs and interests of its employees, striving to incentivize each of them to enhance the Group's performance. As a member of the Russian Trilateral Commission, the Company can directly submit proposed amendments to labor laws and regulations while they are being drafted and considered by the Russian Government. Over 120 draft regulations were reviewed in 2015.

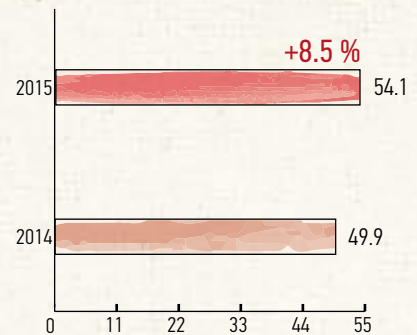
In the reporting year, the Company continued to implement LUKOIL Group's centralized governance system, re-engineering and streamlining the Group's management processes and structure to improve operational efficiency. We also updated corporate governance documents, and developed guidelines on targeted standard staffing levels.

As a result, in 2015, the Company saw a 3.8% decline in its average headcount (to 106,200 employees) and boasted higher productivity and KPIs per employee. Revenue per employee grew by 8.5% and payroll fund by 15%.

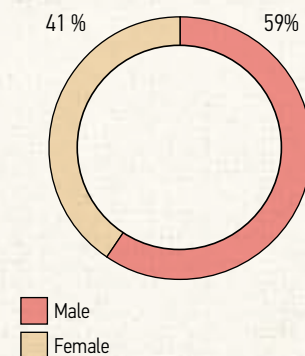
Motivation system.

In 2015, to increase employee motivation and maintain competitive pay levels in the context of weakening ruble the Company increased salaries at its Russian entities by 10%.

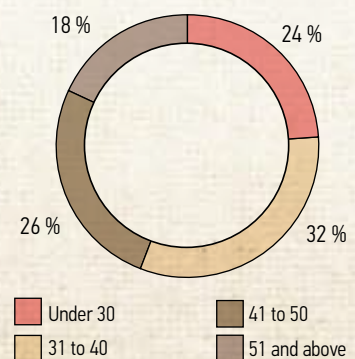
Revenue per employee,
RUB million



Personnel breakdown by gender



Personnel breakdown by age



Employee awards.

In 2015, 20 employees were honored with government awards, 489 employees received industry merit awards, and 1,903 employees and 14 teams obtained corporate awards from LUKOIL.

Total remuneration

Non-financial	<ul style="list-style-type: none"> ▶ State-funded ▶ Corporate 	
Financial	▶ Direct	
	Fixed componed	<ul style="list-style-type: none"> · basic salary ▶ additional payments
	Variable componed	<ul style="list-style-type: none"> · short-term bonuses ▶ long-term bonuses
Financial	▶ Indirect	
	Social benefits	<ul style="list-style-type: none"> · mandatory (state-funded) ▶ voluntary (corporate)
	Additional benefits	<ul style="list-style-type: none"> · generally available ▶ for eligible employee categories

Social policy

The Company's social policy is governed by Social Code of OAO LUKOIL, Agreement between the Employer and LUKOIL Trade Union Association for 2015–2017 and other internal regulations in the area of social policy.

Committed to ensuring social stability and improving the quality of life, LUKOIL implements an extensive social policy offering a variety of benefits, guarantees, and privileges. Currently, the Company's key focus is on:

- health;
- housing;
- private pension plans.

As at the end of 2015, over 37,000 employees participated in the corporate contribution pension scheme, with their total contributions exceeding RUB 450 million. The Group's contributions under all private pension plans in Russia and overseas totalled over RUB 1.5 billion.

The Company's social policy is governed by Social Code of OAO LUKOIL, Agreement between the Employer and LUKOIL Trade Union Association for 2015–2017 and other internal regulations.

Health

In addressing the tasks of supporting health improvement social services are guided by the relevant Russian laws and local internal regulations, and closely cooperate with federal and local authorities and trade union associations.

The programs run in 2015 included:

- voluntary medical insurance for employees. As part of the program, seasonal vaccinations against influenza (26,800 people) and tick-borne encephalitis (9,400 doses) were administered;
- funding of short-term disability benefits, maternity leaves, and employee health improvement and recreation. In 2015, the total amount of benefits paid was RUB 163 million;
- provision of primary health care services at first-aid posts run by the Group's entities (over 100 posts), which performed screening for socially significant diseases and employee health monitoring. Based on the analysis, measures were developed and implemented to improve working conditions and prevent occupational diseases;
- preventive measures. Many entities provided lectures on timely detection and prevention of socially significant diseases.

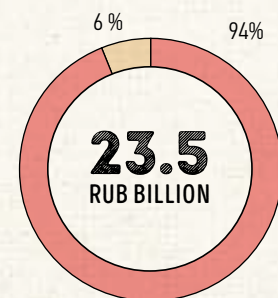
In 2015, we specifically focused on the investigation of accidents so they could be avoided in the future.

Staff training. The Group has a continuous training system in place to provide its personnel with all the necessary knowledge and skills. Employees enjoy a full range of educational tools and techniques available today, including workshops, off-site seminars, special training programs, overseas internships, professional development courses, retraining programs, professional training days, and distance learning courses.

To improve operational efficiency and introduce innovations we have implemented a Corporate Knowledge Management System (covering over 9,000 engaged employees). This framework helps capture and disseminate best practices, ensure effective communications, and jointly explore and address common operational problems.

We maintain an increased focus on industrial safety and environment. The Company runs corporate specialised training programs for experts in health and safety at the Institute of Labor and Social Insurance, the Russian Presidential Academy of National Economy and Public Administration.

Social programmes*



■ Social programmes
■ Social infrastructure maintenance

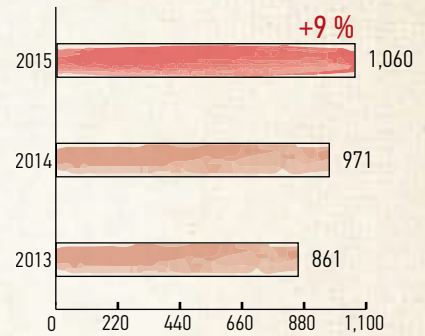
* Including programs for employees, their families and non-working retirees.

We also actively collaborate with universities and other educational institutions that offer oil and gas degree programs and have partnered with us in personnel training. Our managers and experts strongly contribute to the educational process, with the Company holding regular LUKOIL Days and job fairs. We invest great efforts into providing training opportunities for students from local communities in the markets where we operate.

We helped launch the Innovation Management and Physics and Technological Process Modelling Departments at the Gubkin Russian State University of Oil and Gas, and the Department for Chemical Technology of Petroleum and Gas Processing of Kazan State Technical University at LUKOIL-Nizhegorodniinefteproekt.



Internships across LUKOIL Group



0.1%
OF THE RUSSIAN POPULATION ARE
EMPLOYED BY LUKOIL GROUP

Multifunctional centers of applied qualifications

To ensure the overall development of its talent pool the Company helped launch a number of multifunctional centers of applied qualifications. The first such center was established in Kogalym. Centers in the Perm Territory based at a territorial polytechnical college and three training centers in the Republic of Komi, based at Ukhta State Technical University, have been set up and successfully operate with the Company's support. Training grounds at the centers are a replica oil production facility. An automated system simulates the operation of on-site oil production equipment, providing real-time exposure to oil production processes, enabling hands-on training at the training grounds, and students taking exams in the environment that is as close to the actual operating conditions as possible.

Interaction with communities

DEVELOPING REGIONS

2015 results

- Further implementation of a corporate program of community conferences in the Company's regions of operation to discuss corporate social responsibility
- Expansion of social investments and charity programs: support for sports and healthy lifestyle projects, preservation of cultural and historic heritage, enhancement of educational programs, and other projects
- Publication of 2013–2014 Sustainability Report of LUKOIL Group in the Russian Federation

2016 priorities

- Social and economic development, better quality of life for local communities, support for socially important sites and facilities
- Implementation of charity programs, sports projects, and preservation of cultural and historic heritage
- Preparation and holding of events to celebrate the Company's 25th birthday.



For more details see Sustainability report

Conscious of its responsibilities to all relevant stakeholders in the countries and regions where it operates, LUKOIL follows socially responsible policies in addressing the issues of labor and employment, and pursues a wide range of sponsorship and charity efforts.

Social Investments

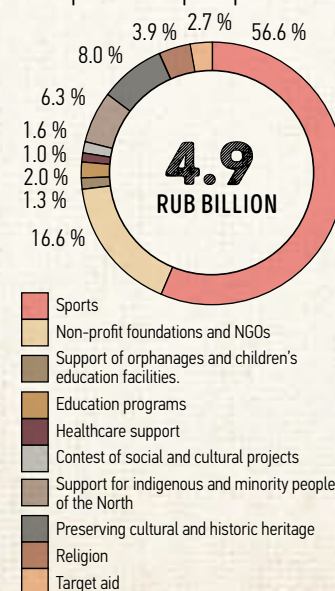
As part of its 2015 activities across its geography, the Company signed a number of cooperation agreements with the Komi Republic, Perm Territory, Krasnoyarsk Territory, and Astrakhan, Voronezh, and Novgorod Regions, and additional agreements with the Governments of Khanty-Mansi Autonomous Area – Yugra, Yamal-Nenets Autonomous Area, and Arkhangelsk Region, and the Administration of Nenets Autonomous Area. Under these agreements, the Company provides financing to social and sports projects and construction and repairs of cultural sites.

Support of orphanages and children's education facilities.

Children's support is viewed by LUKOIL as a top priority. The Company seeks to maintain a balanced approach, providing aid to disadvantaged children with health or family problems and at the same time supporting those from more advantaged families to develop their abilities and talents.

Since 2012, supported by Our Future, a foundation that promotes regional social programs, we have constructed a number of kindergartens in Astrakhan, Perm, Kogalym, Saratov and the Volgograd Region. In 2015, we launched construction of a kindergarten in Borisoglebsk.

Breakdown of the Group's charity and sponsorship expenses*



* Excluding expenses on agreements with federal subjects of Russia and municipal entities. The indicator is not included in the LUKOIL Group consolidated IFRS statements.

During 2015, we also continued to provide support to children's art schools in the regions where we operate, supplying musical instruments to schools based in the Astrakhan, Kaliningrad, and Saratov Regions, and in the Komi Republic. Over the years, we have run our Book as a Gift to Every Blind Child project. During the reporting year, we supplied such books to educational institutions for children with special needs in the Astrakhan and Kaliningrad Regions.

Education programs.

Since 2000, LUKOIL has a named scholarship in place to support the most talented students of universities and other educational institutions that offer oil and gas, petrochemical and energy degree programs. In 2015, the corporate scholarship was made available to a total of 185 students from cities across Russia. As LUKOIL sees it, teaching staff is the cornerstone of the academic tradition. Under its program to support young professors, the Company provided grants to 80 talented individuals who teach at Russia's leading universities with oil and gas and other graduate programs.

During 2015, we provided support to Saint Petersburg State University to fund new research projects, and to Vernadsky State Geological Museum, Russian Academy of Sciences, to launch the Inter-University Academic Center for Mining and Geology Careers Guidance.

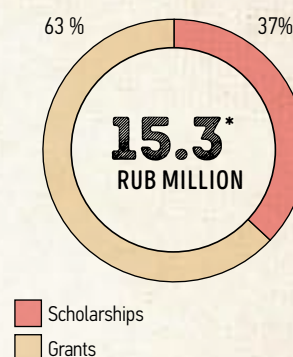
Healthcare support.

The Company supports some of Russia's largest specialized medical research centers. It is also committed to developing healthcare across its geography. In the reporting year, aid was made available to the Russian Cardiology Research and Production Complex, Vishnevsky Institute of Surgery, Mezensk District Central Hospital (Arkhangelsk Region), Usinsk District Central Hospital, Bolshoye Murashkino District Central Hospital (Nizhny Novgorod Region), Kstovo District Central Hospital (Nizhny Novgorod Region), Nizhny Novgorod Regional Clinical Children's Hospital, Narimanov District Hospital (Astrakhan Region), and Romanov Rehabilitation Center in St Petersburg. We purchased equipment for district hospitals in the Perm Territory and supported their renovation.

Contest of social projects.

The annual contest of social and cultural projects held by the Group since 2002 is among the most successful social investment initiatives. In 2015, the event was held across 18 Russian regions. Over 400 projects were selected for funding out of more than 2,700 project proposals submitted to the Contest. Over the 14 years since its inception, the contest has received more than 20,000 applications, with over 4,000 social projects put in place.

Scholarships and grants



* The indicator is not included in the LUKOIL Group consolidated IFRS statements.

Support for indigenous and minority peoples of the North.

The Company develops and implements special programs to support communal family land owners across the Khanty-Mansi Autonomous Area-Yugra, Nenets Autonomous Area, and Komi Republic. To maintain and develop the traditions of the Khanty, Mansi, Nenets and Selkup peoples LUKOIL signs annual agreements aimed at social and economic development of areas and locations populated by indigenous and minority peoples. The improvement of relationships between the Company and indigenous population is discussed at meetings the Company's management holds with representatives of the Assembly of Indigenous Minorities of the North, heads of municipalities and representatives of local indigenous population. In the Nenets Autonomous Area, LUKOIL signs annual mutual cooperation agreements for social and economic development of indigenous minorities of the North, providing, among other things, for financial compensation for the use of land, and purchases of cross-country vehicles, building materials for homes, etc.



Sponsorship and Charity

Preserving cultural and historic heritage.

In 2015, the Company provided aid to some of Russia's largest museums and creative and performance teams, sponsored a number of exhibitions, and contributed to reviving religious and cultural traditions. The Company helped launch the Samovar Museum in Saratov.

The Company continued providing support to the Tchaikovsky Grand Symphony Orchestra conducted by Vladimir Fedoseyev, Perm State Tchaikovsky Opera and Ballet Theater, and Kaliningrad Regional Philharmonic Hall.

In 2015, at the 4th St Petersburg International Cultural Forum, we signed an Agreement on Cultural Cooperation Promotion in the Khanty-Mansi Autonomous Area – Yugra, which provides for the establishment of a branch of the State Academic Maly Theater of Russia in Kogalym.

Target aid.

The Company pays annual allowances to battle-front, World War II and labor veterans who worked in the industry. The Company also provides support to families of servicemen who died in local conflicts.

Sports.

Over the years, LUKOIL's social policy has been focused on supporting sports and promoting healthy lifestyles. Taking care of its employees' and their families' health, the Company holds a number of sports competitions for children and young people, also focusing on corporate sponsorship. The Company supports a number of sports teams and organizations, including Spartak-Moscow Football Club; Zarya Kaspiya Handball Club, Astrakhan; Torpedo Ice Hockey Club, Nizhny Novgorod; Dinamo-Krasnodar women's volleyball team; Vodnik Ice Hockey Club, Arkhangelsk; Spartak Volgograd water polo team; the Cross Country Ski Federation of Russia; LUKOIL Racing Team; and Children's Football League.

LUKOIL has a long-standing partnership with the Russian Olympic Committee. In 2008, the Company became a co-founder of the Russian Olympic Support Foundation, which provides target aid to athletes from Russia's national Olympic teams.

In 2015, the Company participated in the Kindness Relay national charitable project to raise support for orphaned children, disabled athletes, children from problem families, and large families among well-known athletes, sports stars, Olympic champions, and winners of world and European championships.

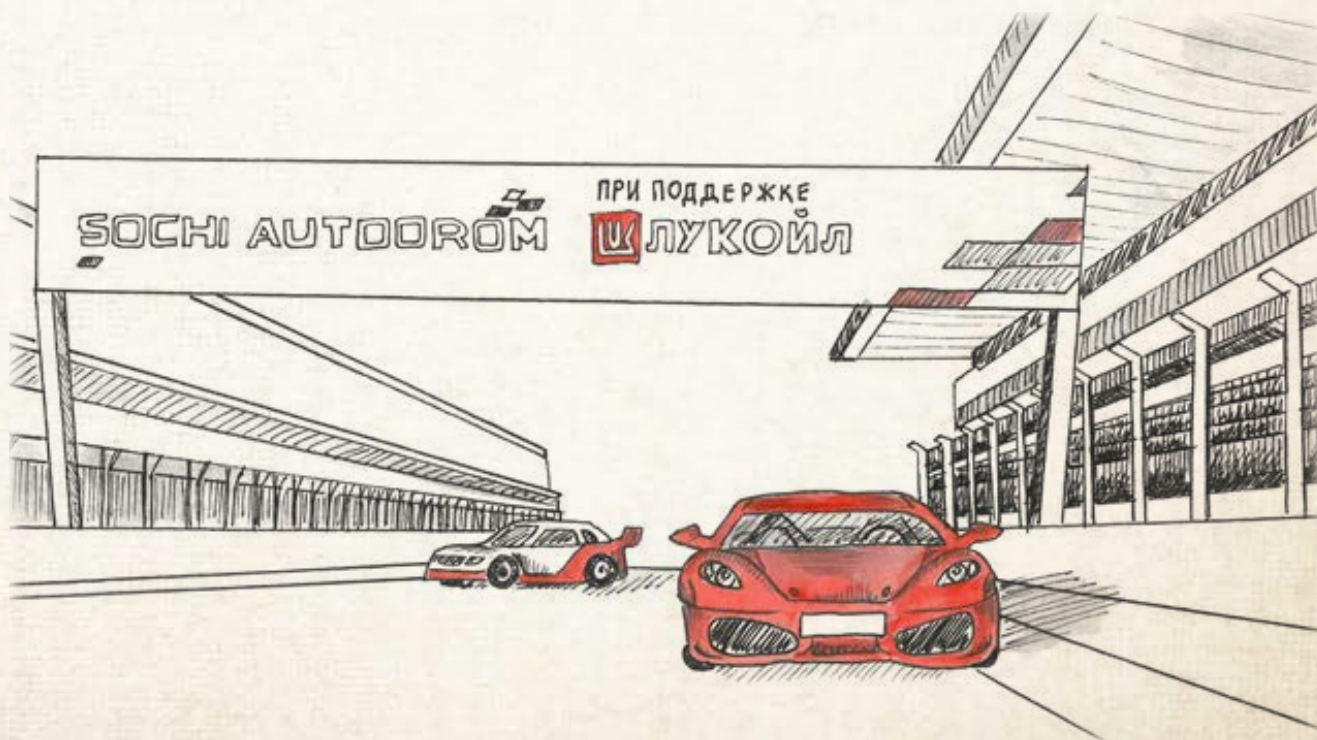
LUKOIL also partners with Sochi Autodrom, a motor racing track, providing support for the preparation and holding of various sporting events on Russia's most advanced race track and for promotion of motor racing in general.

Blood donation initiatives.

Since 2010, the Company has been organizing donor initiatives as part of its corporate volunteering program. Over the six years since the launch of these efforts, more than 2,000 employees volunteered, with over 200 employees participating in the donor initiative in 2015. These initiatives help address a major social issue while also contributing to a stronger corporate culture and bringing the team together.

Support for international forums.

Over the years, PJSC "LUKOIL" has continuously acted as a sponsor of the Saint Petersburg International Economic Forum and the Sochi International Investment Forum.



Stakeholder Relations

Shareholders and investors

Principles

Transparency, reliability, protection of shareholder rights

Areas of engagement

Performance, returns

Interaction

General Meeting of Shareholders, meetings, conferences, reports, website

During the reporting year, we had a number of events and activities to improve information transparency and protection of shareholder rights, in particular

- We held conferences, the Investor Day, one-on-one meetings, and off-site Annual General Meeting of Shareholders in Volgograd
- We handled requests for information submitted via email and telephone to the Company's Investor Relations Department
- Publication of regular Company reports



For more details see Information for Shareholders and Investors on p. 118

Personnel and trade unions

Principles

Responsibility, equality, motivation

Areas of engagement

Promotion and protection of rights, professional development, remuneration

Interaction

Internal corporate portal, hotline, corporate media, meetings with the Management

- Ensuring strict compliance of labor conditions with employees' statutory rights; zero tolerance for discrimination; activities of the Business Ethics Commission
- Fostering an environment conducive to the development needs of personnel and sharing of best practices; continuous monitoring of the motivation system
- Maintaining and improving health and safety and social security
- Implementation of the agreement signed between the Employer and OJSC LUKOIL Trade Union Association for 2015–2017



For more details see Personnel on p. 80, Business Ethics on p. 116

Local communities

Principles

Respect, integrity, ethical conduct

Areas of engagement

Investments, job creation, responsible business conduct

Interaction

Meetings with the Company's representatives, cooperation with regional authorities

As part of its efforts to ensure responsible business conduct, the Company implemented a number of activities, including:

- Continued engagement with authorities and local communities in the Company's regions of operation outside Russia, including with representatives of the European Commission and the European Parliament
- Interaction with government and local authorities in Russian regions to further enhance mutually beneficial and constructive relationships; signing of cooperation agreements in a number of regions where we operate
- Active development of cooperation with NGOs; development and implementation of cooperative programs.



For more details see Interaction with Communities on p. 84

Government authorities

Principles

Legality, control, balancing the interests of the state and business

Areas of engagement

Investments, regional development

Interaction

Meetings, membership of working bodies, various report

In 2015, we continued engagement with government authorities, in particular:

- Legal restrictions lifted on the exploration and production licensing in the Baltic Sea
- The application of reduced MET rate for crude oil extracted in the Caspian extended till 31 December 2021 and the volume of crude subject to favorable taxation increased to 15 million tonnes
- Over 100 applications submitted to federal executive authorities (on the matters related to promotion of competition, cost reduction, customs and tax regulation, cleaner production, etc.)
- Securing amendments to the Russian Tax Code. In addition, during 2015, over 60% of proposals prepared by the Company were incorporated into federal tax laws
- Discussion of the concept of a tax on surplus income as an alternative to tax on income

Customers

Principles

Promptness, professionalism, honesty

Areas of engagement

Quality, compliance with environmental standards

Interaction

Hotlines, subsidiaries

In 2015, we continued to maintain our customer focus, including:

- Developing customer feedback channels across the Company's geography
- Customer satisfaction monitoring across filling stations: During 2015, we handled over 8,000 communications concerning actions by staff, and 785 communications concerning product quality
- Customer experience improvement. In 2015, our filling stations in Russia also provided car washing and cleaning services.

Suppliers

Principles

Partnership, reliability, mutual commitment

Areas of engagement

Reliability, business ethics

Interaction

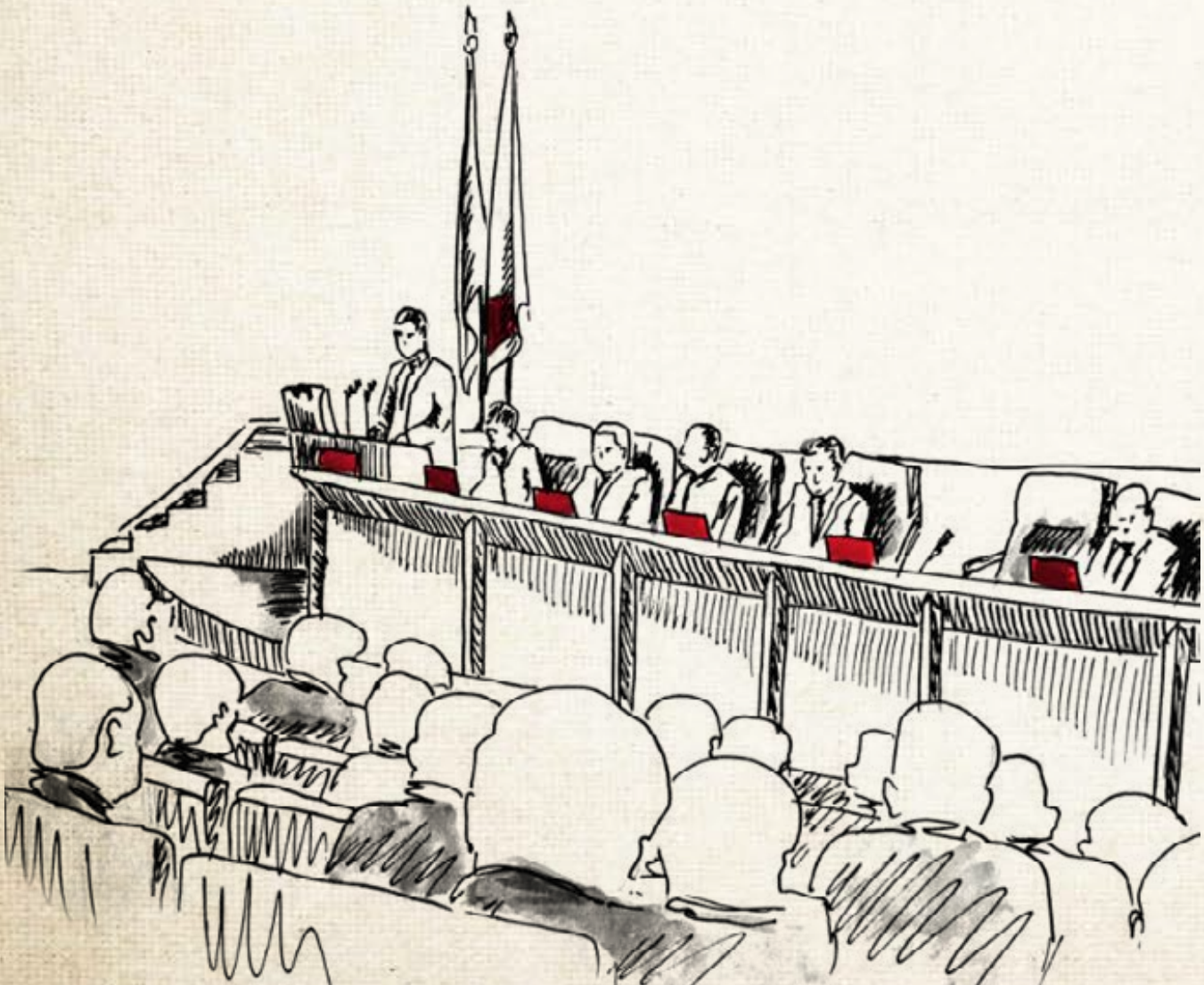
Official website, Tendering Committee, Procurement Commission

- Conducting market research and assessing prospective suppliers' reputation in terms of their commitment to fair practices and social responsibility; selecting suppliers with a reliable business reputation
- Implementing crisis response measures to support import substitution and competitive environment promotion initiatives through active sourcing policy to find new Russian suppliers
- Selecting suppliers based on tender results and procurement transparency principles, ensuring equal access to tender information on the official website
- Amending Regulations on Holding Tenders to Select Suppliers and Contractors of LUKOIL Group's Entities to apply stricter health and safety requirements to bidders.

4

CORPORATE GOVERNANCE

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Chairman's Statement

Dear Shareholders and Investors!

2015 was quite a challenging year for the Company, calling for the Board of Directors to provide leadership for the Company in an unfavorable macroeconomic and low-oil-price environment. During this time, the Board continued to focus on ensuring the Company's stable operation and financial strength, for which stringent investment discipline and enhanced energy efficiency and labor productivity are essential.

I would like to note that, with an adequately-developed corporate governance framework, companies are in a position to adapt to economic uncertainties and unpredictable developments in business successfully. The fundamental role the Board of Directors plays in this lies in the development of a strategy with a comprehensive insight into potential risks, and also in improving the effectiveness of strategic decision-making. At the same time, it is worth noting that corporate governance development is essentially an incremental process, with improvements based on the previous achievements and best practices as they are implemented.

During 2015, the Board of Directors paid considerable attention to developing the Company's corporate governance system and improving internal procedures and practices in compliance with the recommendations of the existing Corporate Governance Code. Specifically, between 2015 and early 2016, we amended the Company's Charter and other internal documents to reflect new provisions on the office of Corporate Secretary, the Internal Audit Service, and the Audit Committee of the Board of Directors. However, this is an ongoing process and 2016 saw us continue our efforts to improve the Company's corporate governance framework.

In 2015, Mark Mobius resigned from the Board. On behalf of the Board of Directors, I would like to express gratitude to Mark for his active involvement in the activities of the Board in his capacity as Independent Director and as Chairman of the Human Resources and Compensation Committee. We are grateful for his independent and unique perspective on issues considered by the Board and his significant contribution to the Company's growth. Upon election of a new Board of Directors, we were joined by independent director Roger Munnings, who replaced Mark in his office of Chairman of the Human Resources and Compensation Committee. As a member of the Russian National Council on Corporate Governance, the Russian Institute of Directors, and the Russian Union of Industrialists and Entrepreneurs, Roger is actively involved in public work in Russia, something which will definitely contribute to the further development of the Company's corporate governance framework.

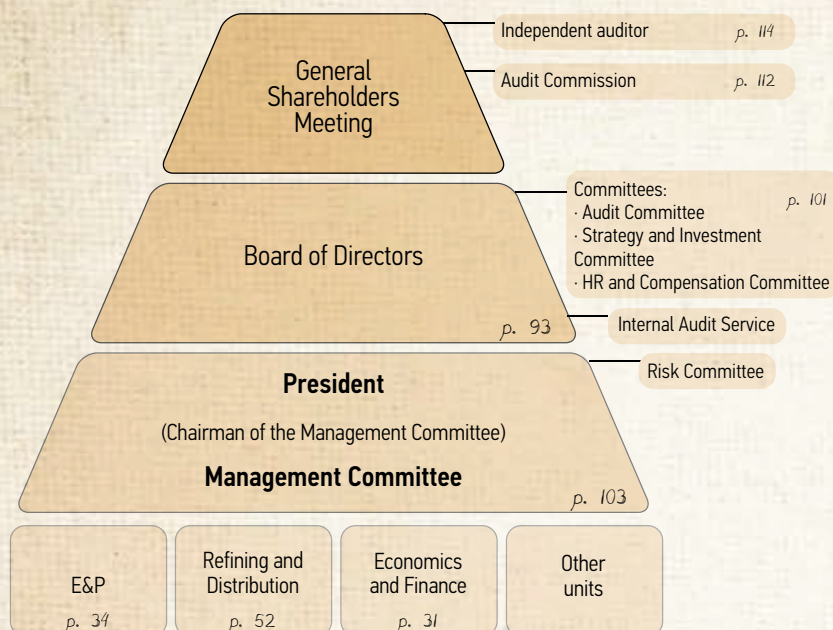
I would also like to thank our shareholders for their unwavering support. Please rest assured that we continue to view the unconditional promotion of the interests of our shareholders and investors as our top priority and, with your support and despite the negative trends in the economy, the Board of Directors will seek to improve the Company's financial efficiency to ensure competitive returns on invested capital in 2016.



Valery Grayfer
Chairman of the Board of directors
of PJSC "LUKOIL"

A handwritten signature in black ink, appearing to read 'V. Grayfer', written in a cursive style.

Management Structure



Efficient corporate governance drives down the weighted average cost of capital and mitigates investment risks giving a boost to LUKOIL's investment case and therefore to its shareholder value. Moreover, PJSC "LUKOIL" corporate governance lays great emphasis on protecting minority shareholder rights.

Incorporated in Russia, LUKOIL is guided in its business, among other things, by the Corporate Governance Code recommended for implementation by the Bank of Russia by Letter of 10 April 2014 No. 06-52/2463 (hereinafter, the "CG Code").

General Shareholders Meeting

General Shareholders Meeting is the Company's supreme governance body. Annual General Shareholders Meeting is held each year in the form of joint shareholder presence, with voting ballots being circulated (sent out) well before the meeting. This allows shareholders to vote by either attending the meeting in person or sending their ballots by post, including voting through nominee holders.

Among the mandatory issues addressed by the Annual General Shareholders Meeting are election of the Board of Directors and Audit Commission members, approval of the Company's auditor, Annual Report and annual accounting (financial) statements, including the income statement of the Company, distribution of profits and adoption of a decision on payment (declaration) of dividends based on the results of the year. The Annual General Shareholders Meeting may address other issues as well, as long as they fall within its competence.

Two Shareholders Meetings were held in 2015:

- **The Annual General Meeting** was held in Volgograd on 25 June 2015. In particular, the General Meeting:
 - approved OJSC "LUKOIL" 2014 Annual Report,
 - approved the Company's annual accounting (financial) statements, including the income statement of the Company,
 - resolved to pay out 2014 dividends,
 - elected 11 members of the Board of Directors,
 - decided on the amount of remuneration of and compensation of costs incurred by the members of PJSC "LUKOIL" Board of Directors,
 - elected members of the Company's Audit Commission; established the amount of their remuneration,
 - approved JSC KPMG as the Company's independent auditor.
- **An Extraordinary Shareholders Meeting** was held on 14 December 2015 in the form of absentee voting. The meeting resolved, in particular, to pay out 9M 2015 dividends of RUB 65 per ordinary PJSC "LUKOIL" share and decided on the relevant dividend record date.

Board of Directors

2015 Results

- Elected the Board of Directors Chairman and appointed the Board of Directors Secretary, set up the Board of Directors Committees
- Appointed the Management Committee consisting of 15 persons
- Capped the Auditor's remuneration
- Discussed LUKOIL Group's preliminary results in 2015: determined objectives for 2016 and onwards, as well as PJSC "LUKOIL" 2016 business priorities,
- Held a retreat BoD meeting in Volgograd: the Board of Directors discussed the Company's performance of its investment program, performance against schedules and deadlines for commissioning Refining, Marketing and Distribution facilities in 2015, as well as meeting of obligations under capacity supply agreements (CSA) and innovation rollouts across LUKOIL Group

2016 Priorities

- Exercise the Board of Directors authority under the Company's Charter and Federal Law On Joint-Stock Companies
- Further streamline corporate governance pursuant to the principles and recommendations set out in the Corporate Governance Code

The Board of Directors plays a crucial role in PJSC "LUKOIL" system of corporate governance steering the Company to serve the interests of its investors and shareholders.

PJSC "LUKOIL" Board of Directors includes independent directors who help it to form an objective opinion on matters under discussion thereby strengthening the investor and shareholder confidence in the Company. The Board of Directors set-up changed over the reporting period: Mark Mobius was not nominated, whereas Roger Munnings was elected independent director. In 2015, the Company assessed the independence of the nominees to the Board of Directors in accordance with the CG Code and the MICEX Listing Rules. Based on the assessment, the Board of Directors set-up in 2015 had four independent directors (V. Blazheev, I. Ivanov, R. Munnings and G. Moscato) who were fully compliant with the independence criteria established by the Corporate Governance Code, and five independent directors (V. Blazheev, I. Ivanov, R. Munnings, G. Moscato and I. Pictet) compliant with the independence criteria as per the MICEX Listing Rules.

According to the available information sources, no conflicts of interest (including those linked to the membership in the governance bodies of LUKOIL's competitors) were identified at either BoD or Management Committee levels.

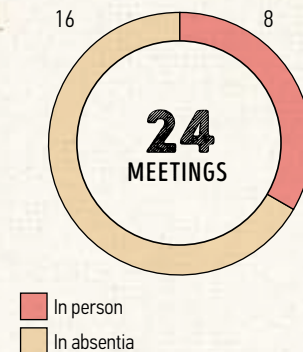
BoD members are notified of material corporate actions by LUKOIL's Administrative Office through internal electronic channels.

Among the Board of Directors' key functions are setting business priorities for the Company, strategic, mid-term and annual planning, and reviewing of the Company's performance. At its meeting in January 2015, the Board of Directors identified key objectives for 2015 and for the nearest term, including: accelerated development at priority projects, on-time completion of construction and commissioning of major refinery projects, achieving design capacity. In 2015, LUKOIL's high-priority areas included: ensuring the Company's stable operation in an unfavorable macroeconomic environment, retaining competitive advantage in operational efficiency, maintaining competitive dividend payouts, strengthening accountability and motivation of managers and specialists across all levels for implementing plans and meeting key strategic targets.

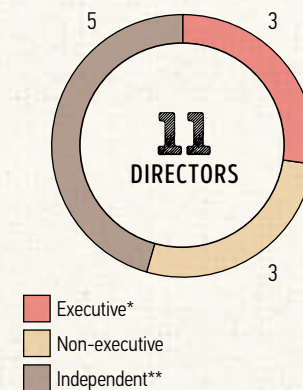
The Board of Directors went on with the annual implementation of the Board's approved action plans, including reviews of the Company's performance in the previous year, preparation of the General Shareholders Meetings approval of related-party and other transactions as defined by PJSC "LUKOIL" Charter.

As LUKOIL had ended its investment cycle for upgrading its refinery facilities, the Board of Directors put a special emphasis on drilling down the efficiency of the Company's Refining, Marketing and Distribution segment in 2015. The Board discussed the Company's performance of its investment program, performance against schedules and deadlines for commissioning Refining, Marketing and Distribution facilities, as well as meeting of obligations under capacity supply agreements (CSA) and innovation rollouts across LUKOIL Group. The Board of Directors also reviewed performance of the Company's E&P segment by discussing progress against the Company's targets over the past few years: E&P technology performance, development strategy for mature fields, and progress of the Company's Caspian projects.

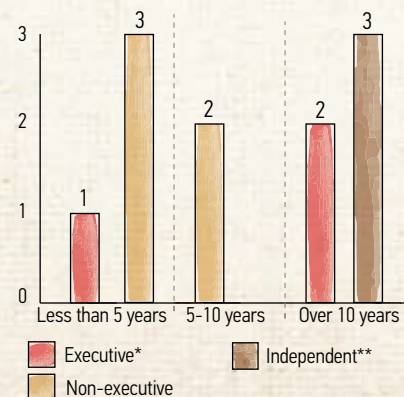
Board of Directors meetings



Board of Directors set-up



Term of office as a Board of Directors member



* Executive directors are the members of the Company's executive bodies and persons employed by the Company.

** Recognized as independent directors pursuant to MICEX SE's Listing Rules.

The Board of Directors held a retreat meeting in Volgograd.

Given the challenging economic environment, the BoD approved the key performance indicators of the Mid-Term Plan of LUKOIL Group for 2016–2018, and LUKOIL Group's Budget and Investment Program for 2016.

In 2015, the Board of Directors approved a number of important corporate governance documents, including PJSC "LUKOIL" Insider Information Regulations; amendments to PJSC "LUKOIL" Regulations on the Performance Assessment of the Board of Directors; amendments and additions to PJSC "LUKOIL" Regulations on Management Remuneration and Incentive System.

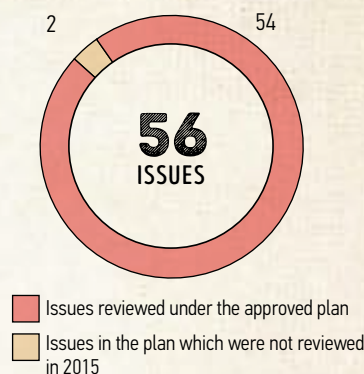
In the reporting year, the Board of Directors also assessed internal control, internal audit and risk management systems across LUKOIL Group to establish that improvements of these systems were aligned with objectives and targets set by the Company's internal documents, while PJSC "LUKOIL" internal audit activities were carried out in full compliance with the Definition of Internal Auditing and the Code of Ethics developed by The Institute of Internal Auditors Inc., USA.

Involvement of the Board of Directors in the implementation of the corporate strategy

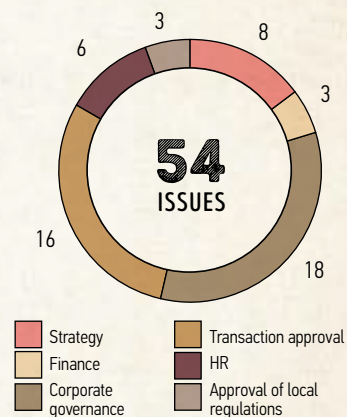
The Board of Directors is continuously monitoring the implementation of our Strategic Development Program and achievement of the Company and LUKOIL Group's KPIs. It holds two annual discussions of the Company's preliminary results and progress in key areas of the Program implementation.

In 2015, the Company approved a new version of LUKOIL Group's Investment Management Regulations, establishing special rules of key project monitoring and management, introducing phased procedures for consideration and implementation of major and high-priority projects, and amending risk assessment procedures for investment activities. In addition, LUKOIL gave a go-ahead to segment-specific action plans to pilot new approaches in selected entities to be further rolled out across the Group.

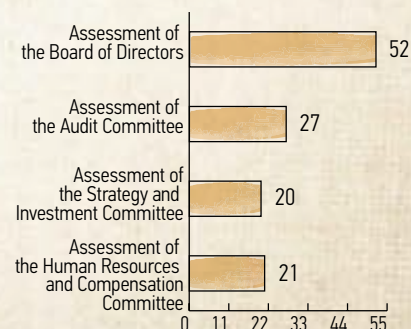
Number of issues to be reviewed by the Board of Directors in 2015



Number of issues reviewed by the Board of Directors in 2015



Outline of the Regulations on the Performance Assessment of the Board of Directors



Board of Directors authority

Control of the Company's executive bodies and overall management as prescribed by the Company's Charter and the Federal Law On Joint-Stock Companies, in particular:



Regulations on the Board of Directors of PJSC "LUKOIL"

- Defining the Company's business priorities
- Convening General Shareholders Meetings and approving the agenda of such meetings
- Appointing the Management Committee, the Company's collective executive body; early removal of members of the Management Committee from office; determining key provisions of contracts to be entered into by the President and members of the Management Committee
- Submitting recommendations on a dividend per share and dividend payout procedure
- Approving transactions pursuant to the applicable law and the Company's Charter.

Assessment of the Board of Directors performance

To improve evaluation criteria used to assess the performance of the Board of Directors and its Committees, the Board of Directors amended the Regulations on the Performance Assessment of the Board of Directors of PJSC "LUKOIL". As prescribed by the amended assessment criteria, in April 2015 the Board of Directors members were polled on the performance of the Board of Directors and its Committees in 2014–2015.

Performance is assessed against the following criteria:

- exercising key functions of the Board of Directors, in particular, exercising and protecting the rights of shareholders, as well as managing corporate conflicts;
- composition;
- general description and positioning of the Board of Directors in terms of contribution to the Company's achievements – operational planning and performance monitoring, internal control and risk management, executive efficiency and succession planning, implementing innovations, procedures and awareness of the Board of Directors in terms of, inter alia, organizing Board meetings and liaising with shareholders and management.

The Board Committees also assess their performance, organization efficiency, management communications, etc.

The assessment is based on a five-point scale enabling the BoD members to get a hold of all details and specifics of their work.

Based on the Board of Directors Performance Report and assessment results, the Board of Directors gave a positive assessment of its performance over the reporting period.

Board of Directors members' attendance of in-person meetings in 2015*

	Board of Directors meetings	Strategy and Investment Committee	Audit Committee	HR and Compensation Committee
Valery Grayfer	7/8 (Chairman)			
Vagit Alekperov	8/8			
Viktor Blazheev ¹	6/8		6/6 (Chairman)	
Igor Ivanov ¹	4/8	3/3 (Chairman)		
Ravil Maganov	7/8	3/3		
Richard Matzke	8/8			4/4
Sergei Mikhailov	8/8		6/6	4/4
Mark Mobius	2/3 (BoD member until 25 June 2015)	2/2 (Committee member until 25 June 2015)		2/2 (Chairman until 25 June 2015)
Roger Munnings ¹	5/5 (BoD member from 25 June 2015)			2/2 (Chairman from 25 June 2015)
Guglielmo Moscato ¹	7/8	2/3		
Ivan Pictet ¹	6/8		5/6	
Leonid Fedun	8/8	2/3		

* Pursuant to the Regulations on the Board of Directors of OJSC LUKOIL as amended by the Extraordinary General Shareholders Meeting as at 30 September 2013 and Regulations on the Board of Directors Committees as amended by the Board of Directors of OJSC LUKOIL at 24 October 2013, participation by phone or conference call in meetings held in the form of joint presence shall be deemed equivalent to participation in person.
¹ stands for "Independent directors" as per the MICEX Rules of Listing effective since 09 June 2014.

Members of the Board of Directors of PJSC "LUKOIL"



**Valery
Grayfer, 1929**



**Vagit
Alekperov, 1950**



**Viktor
Blazheev, 1961**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Chairman of the Board of Directors of PJSC "LUKOIL"	President of PJSC "LUKOIL" Executive Director of PJSC "LUKOIL" Chairman of the Management Committee of PJSC "LUKOIL"	Independent member of the Board of Directors of PJSC "LUKOIL" Chairman of the Audit Committee of the Board of Directors of PJSC "LUKOIL"
Length of service on the Board of Directors (full years as at 31.12.15)		
19 years	22 years	6 years
Membership of the management bodies of other organizations (as at 31.12.15)		
Chairman of the Board of Directors of JSC RITEK	Chairman of the Supervisory Board at LUKOIL INTERNATIONAL GmbH Member of RSPP Board Chairman of the Community Council at Our Future Fund for regional social programs	Rector of the O.E. Kutafin Moscow State Law University (MSAL)
Education and work experience		
Graduated from the I.M. Gubkin Moscow Oil Institute in 1952. Candidate of Technical Sciences (PhD). Recipient of seven orders, four medals, and a Certificate of Honor of the Supreme Soviet of the Tatar ASSR. Awarded a Certificate of Honor of the Russian Federation President in 2009. Since 1985: USSR Deputy Minister of Oil Industry in charge of the Chief Tyumen Production Division for the oil and gas industry. From 1992 to 12 January 2010, General Director of OJSC RITEK. Since 2010: Chairman of the Board of Directors of JSC RITEK. Since 2000: Chairman of the Board of Directors of PJSC "LUKOIL". Professor at the Gubkin Russian State University of Oil and Gas. Lenin Prize and Russian Government Prize Winner.	Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Distinguished energy industry specialist and Honored oil specialist. Recipient of five orders and eight medals, a Certificate of Honor and two Certificates of Gratitude from the Russian Federation President. Two times winner of the Russian Government Prize. Since 1968: worked at oil fields in Azerbaijan and Western Siberia. 1987–1990: General Director of Production Association Kogalymneftegaz of Glavtyumenneftegaz of the USSR Ministry of Oil and Gas. 1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992–1993: President of the Oil Concern Langepasuraikogalymneft. 1993–2000: Chairman of the Board of Directors of PJSC "LUKOIL". Since 1993: President of PJSC "LUKOIL".	Graduated from the evening department of the All-Union Extra-Mural Law Institute (AELI) in 1987; completed a post-graduate program at AELI-Moscow Law Institute in the department of civil litigation in 1990. Candidate of Legal Sciences (PhD). Recipient of the titles of the Distinguished Lawyer, Honoured Worker of Higher Education of the Russian Federation, and Research and Development Worker of the Russian Federation. Recipient of a 2nd degree Medal of the Order "For Merits to the Fatherland". Since 1979, inspector at the social welfare office under the Volchansk District Executive Committee (Volchansk, Kharkiv Region). 1979–1981: military service in the Soviet Army. 1981–1987: worked in the internal affairs division of the Moscow City Executive Committee (Moscow). 1987–1990: full-time postgraduate program at Moscow Law Institute under the USSR State Committee for Public Education (Moscow). Since 1991, Senior Lecturer, Assistant Professor, Dean of the full-time day department, Vice-Rector in charge of academic agenda, first deputy rector for academic affairs and finally Rector of State educational government financed institution of higher professional education O.E. Kutafin Moscow State University (MSAL).
Share in charter capital of the Company (as at 31.12.2015)		
0.01%	22.96%*	-

* Including direct and indirect ownership.



**Igor
Ivanov, 1945**



**Ravil
Maganov, 1954**



**Richard
Matzke, 1937**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Independent member of the Board of Directors of PJSC "LUKOIL" Chairman of the Strategy and Investment Committee of the Board of Directors of PJSC "LUKOIL"	Executive Director of PJSC "LUKOIL" Member of the Management Committee of PJSC "LUKOIL" First Executive Vice-President of PJSC "LUKOIL" (E&P) Member of the Strategy and Investment Committee of the Board of Directors of PJSC "LUKOIL"	Member of the Board of Directors of PJSC "LUKOIL" Member of the Human Resources and Compensation Committee of the Board of Directors of PJSC "LUKOIL"
Length of service on the Board of Directors (full years as at 31.12.15)		
6 years	22 years	12 years
Membership of the management bodies of other organizations (as at 31.12.15)		
President of the Russian International Affairs Council (RIAC) not-for-profit partnership Member of the Board of Managing Directors of Rissa Investment N.V. Member of the International Advisory Council of Spencer Stuart International Member of the International Advisory Council of Universal Credit Rating Group Co., Limited President of the Russian International Affairs Council (RIAC), RAS Corresponding Member	Member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH	Member of the Board of Directors of PHI, Inc. Independent non-executive member of the Board of Directors of PetroChina Company Limited
Education and work experience		
Graduated from the Maurice Thorez Moscow State Institute of Foreign Languages in 1969. Doctor of History. Professor. Holds both Russian and international orders and medals. 1993–1998: First Deputy Minister of Foreign Affairs of the Russian Federation. 1998–2004: Minister of Foreign Affairs of the Russian Federation. 2004–2007: Secretary of the Security Council of the Russian Federation. Since 2005: Professor of Moscow State Institute of International Relations (MGIMO University) under the Russian Foreign Ministry. Since 2011: President of the Russian International Affairs Council (RIAC) not-for-profit partnership.	Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation, Honored oil specialist. Recipient of four orders and five medals. Has a Letter of Acknowledgement from the Government of the Russian Federation. Three times winner of the Russian Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of OPE Langepasneftegaz. 1993–1994: Vice-President of PJSC "LUKOIL". 1994–2006: First Vice-President of PJSC "LUKOIL" (E&P). Since 2006: First Executive Vice-President of PJSC "LUKOIL" (E&P).	Graduated from Iowa State University in 1959, Pennsylvania State University in 1961, and St. Mary's College of California in 1977. MS in Geology, Master of Business Administration. 1989–1999: President of Chevron Overseas Petroleum, member of the Board of Directors of Chevron Corporation. 2000–2002: Vice-Chairman of Chevron, Chevron-Texaco Corporation. 2010–2013: Board member of Eurasia Drilling Company. Since June 2014: Independent non-executive member of the Board of Directors of PetroChina Company Limited, member of the Human Resources and Compensation Committee 2006: Recipient of a public non-governmental medal "For the Development of the Oil and Gas Complex of Russia" and the "Director of the Year 2006" National Award, Russia, in the "Independent Director of the Year" nomination category, sponsored by the Independent Directors Association (IDA) and PricewaterhouseCoopers.
Share in charter capital of the Company (as at 31.12.2015)		
-	0.38%	0.0003%*

* Including direct and indirect ownership.



**Sergei
Mikhailov, 1957**



**Roger
Munnings, 1950**



**Guglielmo
Antonio Claudio Moscato, 1936**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Member of the Board of Directors of PJSC "LUKOIL" Member of the Audit Committee of the Board of Directors of PJSC "LUKOIL" Member of the Human Resources and Compensation Committee of the Board of Directors of PJSC "LUKOIL"	Independent member of the Board of Directors of PJSC "LUKOIL" Chairman of the Human Resources and Compensation Committee of PJSC "LUKOIL" ¹	Independent member of the Board of Directors of PJSC "LUKOIL" Member of the Strategy and Investment Committee of the Board of Directors of PJSC "LUKOIL"
Length of service on the Board of Directors (full years as at 31.12.15)		
12 years	Elected to the Board of Directors of PJSC "LUKOIL" in 2015	4 years
Membership of the management bodies of other organizations (as at 31.12.15)		
Deputy CEO of Capital Management Company Chairman of the Boards of Directors at the National Managers League Not-For-Profit Partnership, Capital Unit Investment Funds (Management Company) and Capital Group Asset Management Member of the Boards of Directors at PJSC ACBT, CJSC Management Group, PJSC Spartak-Moscow Football Club, CJSC IFD Capital, Capital Management Company, JSC Globalstroy-Engineering, the Association of Managers Interregional Public Organization Member of the Council of the Foundation for Social Program Targeted Support Member of the Central Council of the All-Russia Public Organization "Sports Russia National Voluntary Association"	Independent member of the Board of Directors of Sistema Joint Stock Financial Corporation Chairman of the Russian-British Chamber of Commerce Member of the Russian National Council on Corporate Governance, the Russian Institute of Directors, and of the Russian Union of Industrialists and Entrepreneurs	Chairman and CEO of Gas Mediterraneo & Petrolio Srl Member of the Advisory Council of John Hopkins University
Education and work experience		
Graduated from the F.E. Dzerzhinsky Military Academy in 1979, the Plekhanov Russian Economics Academy in 1998. Candidate of Technical Sciences (PhD), Doctor of Economics, professor. Recipient of four medals. 1974–1992: Service in the armed forces. 1993–1994: Deputy Chairman of the Russian Federal Property Fund. 1996–1997: Head of the Department of Restructuring and Investment of the Ministry of Industry of the Russian Federation. 2001–2011: General Director of Management Consulting Limited Liability Company. 2002–2013: General Director of CJSC Consulting Group. 2011–2014: Director of PANATLANTIC ENERGY GROUP LIMITED.	Fellow of the Institute of Chartered Accountants in England and Wales. Graduated from the University of Oxford in 1972, where Mr. Munnings earned a Master's Degree in Philosophy, Politics and Economics. Made a Commander of the Most Excellent Order of the British Empire, by HM the Queen in 2007. 1996–2008: President and CEO of KPMG Russia/CIS; 1993–2008: Chairman of KPMG's Global Energy and Natural Resources Practice; 1998–2008: Member of KPMG's International Council (ultimate governance body). Former Deputy Chairman of the Management Board of the Association of European Business (AEB) in Russia; member of the Management Board of the American-Russian Business Council; Chairman of the Institute of Audit Committees in Russia; member of the UK Government's working group on trade and investments between Great Britain and Russia.	Graduated from Polytechnic University of Milan (Politecnico di Milano) (Italy) in 1961. Former Chairman of the Board of Directors of Eni SpA and former Chairman and Chief Executive Officer of AGIP SpA.
Share in charter capital of the Company (as at 31.12.2015)		
0.06%	-	0.00006%



**Ivan
Pictet, 1944**



**Leonid
Fedun, 1956**

Position at PJSC "LUKOIL" (as at 31.12.15)	
Independent member of the Board of Directors of PJSC "LUKOIL" Member of the Audit Committee of the Board of Directors of PJSC "LUKOIL"	Executive Director of PJSC "LUKOIL" Vice-President for Strategic Development at PJSC "LUKOIL" Member of the Strategy and Investment Committee of the Board of Directors of PJSC "LUKOIL"
Length of service on the Board of Directors (full years as at 31.12.15)	
3 years	2 years
Membership of the management bodies of other organizations (as at 31.12.15)	
Chairman of the Board of Directors of Symbiotics President of the Fondation pour Genève President of the Fondation Pictet pour le développement Chairman of the Board of Directors of PSA International SA, Member of AEA European Advisory Board and AEA Investors LP Global Advisory Board	Chairman of the Board of Directors of CJSC IFD Capital, OJSC Spartak-Moscow Football Club, and CJSC Management Group Member of the Board of Directors of CJSC Tushino 2018 and LEAGUE-TV LLC Member of the Management Board of the All-Russia Public Organization and Employer Association "Russian Union of Industrialists and Entrepreneurs" Member of the Council of the Foundation for Social Program Targeted Support and IFD Capital Charity Foundation for Social Program Support Chairman of the Council of the Charity Foundation to Support Veterans and Youth at Spartak-Moscow Football Club
Education and work experience	
Graduated from the School of Business Administration at the University of St. Gallen in 1970, where Mr. Pictet earned a Master's Degree in economics. Mr. Pictet joined Pictet & Cie in 1972, after he had started his professional career in Morgan Stanley's New York office. 1981–2005: Managing Partner of Pictet & Cie. 1991–1995: President of the Geneva Chamber of Commerce and Industry. 2005–2010: Senior Managing Partner of Pictet & Cie. 2000–2010: President of Genève Place Financière. He served as a member of the UN Investments Committee of the UN Joint Staff Pension Fund Board in 2005–2015. He served as a member of the International Advisory Board of Blackstone Group International Limited since 1995 until its dissolution in late 2014. Mr. Pictet is a member of the following governance bodies: since 2010 – AEA European Advisory Board, since 2011 – AEA Investors LP Global Advisory Board (NY, USA). Since 2011, Mr. Pictet was a member of the Board of Directors of Symbiotics. In 2015 he was elected Chairman of its Board. He is also President of Fondation pour Genève and Chairman of the Fondation Pictet pour le développement since 2009. Mr. Pictet was appointed Chairman of the Board of PSA International SA in 2012.	Graduated from the M.I. Nedelin Higher Military Command School in Rostov in 1977. Candidate of Philosophical Sciences (PhD). Recipient of two orders and seven medals. 1993–1994: General Director of JSC LUKOIL-Consulting. 1994–2012: Vice-President, Head of the Main Division of Strategic Development and Investment Analysis. Since 2012: Vice-President for Strategic Development of PJSC "LUKOIL".
Share in charter capital of the Company (as at 31.12.2015)	
0.009%*	9.78%*

* Including direct and indirect ownership.

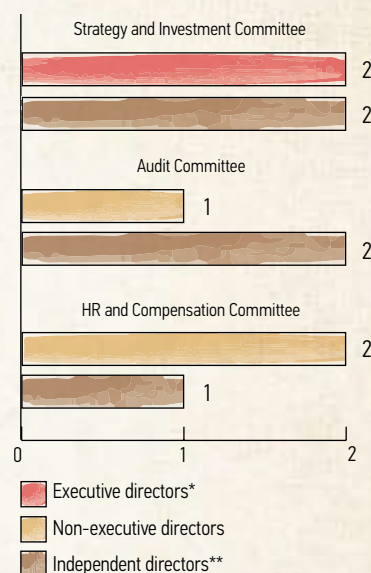
Board of Directors Committees

To ensure effective BoD performance, the Company has set up three Committees: Strategy and Investment, Audit, HR and Compensation

The Committees are engaged in the preliminary review of most critical issues within their scope of authority and submission of relevant recommendations to the Board of Directors.

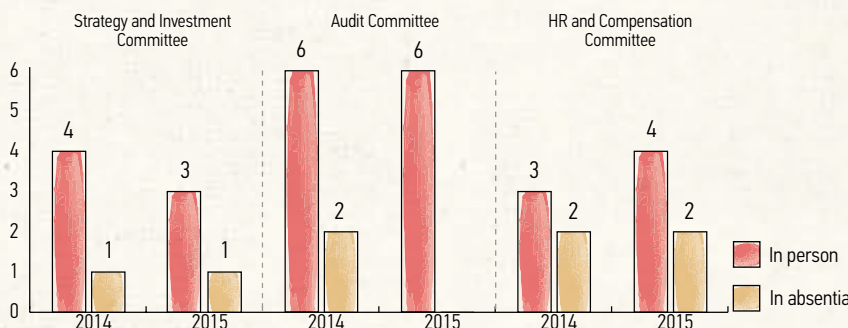
For fair and independent assessment of Committees' decisions, Chairmen of the Committee for Strategy and Investments and Audit Committee are elected from among independent directors. Until June 2015, M. Mobius was Chairman of Human Resources and Compensation Committee. However, in November 2014 Mr. Mobius lost his independent director status as his total term of office on the Company's Board of Directors exceeded 7 years. Upon election of a new Board of Directors, independent director R. Munnings, a member of the Russian National Council on Corporate Governance, became Chairman of the Human Resources and Compensation Committee. It stands to mention that all the Committee members have all the necessary experience and qualifications – in particular, members of the Audit Committee have extensive hands-on experience addressing financial issues.


Committee set-up in 2015



* Executive directors are the members of the Company's executive bodies and persons employed by the Company.
 ** Recognized as independent directors pursuant to MICEX SE's Listing Rules effective since 09 June 2014.

BoD Committee meetings



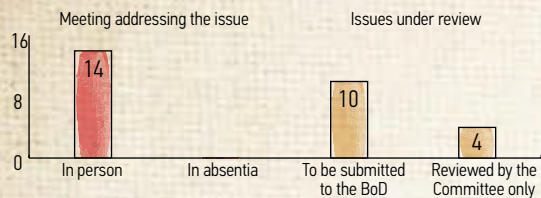
Strategy and Investment Committee	Committee set-up: Igor Ivanov ¹ (Chairman), Ravil Maganov, Guglielmo Moscato ¹ , Leonid Fedun																									
<p>Issue Review</p> <table border="1"> <thead> <tr> <th>Category</th> <th>In person</th> <th>In absentia</th> </tr> </thead> <tbody> <tr> <td>Meeting addressing the issue</td> <td>7</td> <td>1</td> </tr> <tr> <td>Issues under review</td> <td>0</td> <td>0</td> </tr> <tr> <td>To be submitted to the BoD</td> <td>0</td> <td>4</td> </tr> <tr> <td>Reviewed by the Committee only</td> <td>0</td> <td>4</td> </tr> </tbody> </table> <p>Responsibilities</p> <ul style="list-style-type: none"> Analysing strategic development concepts, programs and plans, and providing recommendations on their approval Submitting recommendations on dividend per share and payout procedure Submitting recommendations for distribution of the Company's profit and loss as at the end of the financial year Submitting recommendations for approval of major transactions involving items worth 25–50% of the carrying value of the Company's assets <p> <i>Regulations on the Strategy and Investment Committee</i></p>	Category	In person	In absentia	Meeting addressing the issue	7	1	Issues under review	0	0	To be submitted to the BoD	0	4	Reviewed by the Committee only	0	4	<p>Types of issues under review</p> <table border="1"> <thead> <tr> <th>Issue Type</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Dividends</td> <td>2</td> </tr> <tr> <td>Committee activities</td> <td>2</td> </tr> <tr> <td>Exploration and reserves</td> <td>3</td> </tr> <tr> <td>Distribution of earnings</td> <td>1</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Submitted recommendations to the Board of Directors on distribution of the Company's financial year earnings, dividend per share and dividend payout procedure; assessed data on the Company's asset acquisitions in Upstream (E&P) in 2010–2014, on progress under the Group's Efficient APG Use Program for 2014–2016, and on the Company's actions taken to ensure access to strategic hydrocarbon fields Approved the 2014–2015 Committee Performance Report submitted to the Board of Directors and discussed the Committee performance assessment 	Issue Type	Count	Dividends	2	Committee activities	2	Exploration and reserves	3	Distribution of earnings	1
Category	In person	In absentia																								
Meeting addressing the issue	7	1																								
Issues under review	0	0																								
To be submitted to the BoD	0	4																								
Reviewed by the Committee only	0	4																								
Issue Type	Count																									
Dividends	2																									
Committee activities	2																									
Exploration and reserves	3																									
Distribution of earnings	1																									

Audit Committee

Committee set-up:

Viktor Blazhev¹ (Chairman), Sergei Mikhailov, Ivan Pictet¹

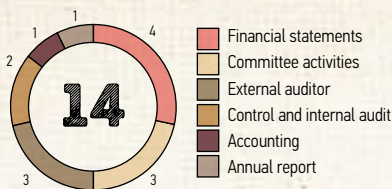
Issue Review



Responsibilities

- Submitting recommendations on the appointment of the Company's auditor
- Analyzing the auditor's opinion
- Assessing the auditor's unbiased approach and independence
- Providing recommendations on the auditor's remuneration cap
- Assessing the effectiveness of internal controls
- Assessing the risk management system
- Providing recommendations for the Board of Directors to pre-approve the Company's Annual Report

Types of issues under review



- Reviewed the appointment of JSC KPMG as external independent auditor; assessed the auditor's opinion; submitted recommendations to the Board of Directors for the auditor's remuneration cap
- Reviewed the performance of the Control and Internal Audit unit; submitted recommendations to the Board of Directors:
 - Approve the 2014 performance results of the Control and Internal Audit unit in enhancing LUKOIL Group's internal control, internal audit and risk management systems across LUKOIL Group, an activity carried out in accordance with the objectives and targets set by OJSC LUKOIL's Regulations on Internal Control and Internal Audit and OJSC LUKOIL's Risk Management Policy
 - Establish that PJSC "LUKOIL" internal audit activities were carried out in full compliance with the Definition of Internal Auditing and the Code of Ethics developed by The Institute of Internal Auditors Inc., USA.
 - Note that PJSC "LUKOIL" Internal Audit is compliant with the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, and is aligned with the corporate governance conceptual model adopted at PJSC "LUKOIL"
- Provided recommendations for the Board of Directors to pre-approve the Company's Annual Report
- Discussed material accounting issues
- Approved the 2014–2015 Committee Performance Report submitted to the Board of Directors and discussed the Committee performance assessment.



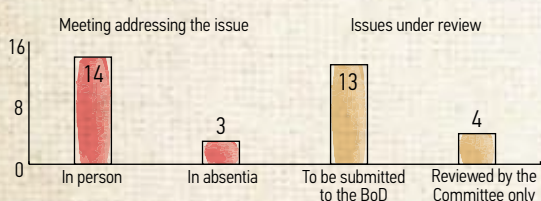
Regulations on the Audit Committee

Human Resources and Compensation Committee

Committee set-up:

Roger Munnings¹ (Chairman), Richard Matzke, Sergei Mikhailov

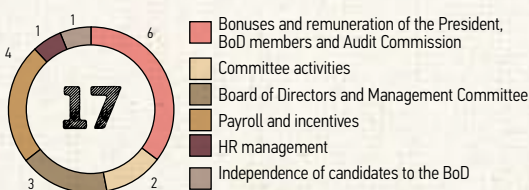
Issue Review



Responsibilities

- Pre-assessing BoD candidates
- Providing recommendations regarding HR and remuneration to the members of the Company's governing bodies and Audit Commission
- Providing recommendations to the Board of Directors on material conditions of the contracts signed with the Management Committee members and the Company President

Types of issues under review



- Submitted recommendations for the Board of Directors to request the General Shareholders Meeting to decide on the amount of remuneration to the members of the Board of Directors and Audit Commission
- Decided on the independent character of candidates to the BoD
- Analyzed HR management performance
- Submitted recommendations on long-term incentive programs for the Company and its subsidiaries
- Provided recommendations to the Board of Directors on the Management Committee set-up and material conditions of the contracts signed with the Management Committee members
- Provided recommendations to the Board of Directors on enhancing the Board's performance assessment
- Approved the 2014-2015 Committee Performance Report submitted to the Board of Directors and discussed the Committee performance assessment



Regulations on the Human Resources and Compensation Committee

¹ stands for "Independent directors" as per the MICEX Rules of Listing.

Secretary of the Board of Directors

The Secretary of the BoD, who also acts as the secretary of BoD committees, ensures seamless operation of the BoD and its Committees. Board Secretary's responsibilities include arrangements for the meetings of the BoD and its Committees, collection, preliminary review and alignment of materials related to the items on the meeting agenda, and preparation of draft resolutions. Based on the BoD and Management Committee's proposals, the Secretary drafts action plans for the BoD and Board Committees (within the respective Committee's competence) and submits them for approval by the BoD and its Committees. The Secretary is charged with providing the BoD members with references required to make a well-informed decision on the agenda issues and translating documents into foreign languages, if necessary. In 2015, the new Board of Directors at its first meeting appointed the BoD Secretary proposed by the BoD Chairman.

Executive Bodies

President

President, the Company's sole executive body, is appointed by the General Shareholders Meeting for a term of five years and serves as the Chairman of the Management Committee. The President is responsible for operational management of the Company as prescribed by the Charter of PJSC "LUKOIL". The key provisions of the contract with the President are stipulated by the BoD. At the BoD meeting held on 23 June 2011, where V. Alekperov was appointed President of the Company, the key provisions of his agreement were set out, including his remuneration. These provisions had been reviewed by the Human Resources and Compensation Committee of PJSC "LUKOIL".

Management Committee

The Management Committee is a collective executive body supervised by the Chairman of the Management Committee. It is in charge of the Company's day-to-day operations. Following the President's proposals, the Board of Directors appoints members of the Management Committee each year. Management Committee meetings are held when and if necessary (usually, once a week). The President shall set an agenda for each meeting, also by considering the agenda proposals coming from the Management Committee members. The Management Committee competence is set out in the Company's Charter.

In 2015, the Board of Directors held 21 meetings and discussed 113 issues.

Key issues considered by the Management Committee in 2015 pertained to matters within the authority of the Management Committee in accordance with the Charter of PJSC "LUKOIL", such as approval of the Group's and the Company's annual and quarterly budget and investment program results, LUKOIL Group's restructuring, growth strategy, approval of material transactions by the Company's subsidiaries, approval of local regulations, and HR-related issues.



**Vagit
Alekperov 1950**



**Vadim
Vorobyov 1961**



**Sergei
Kukura 1953**

Position at PJSC "LUKOIL" (as at 31.12.15)		
President of PJSC "LUKOIL" Executive Director of PJSC "LUKOIL" Chairman of the Management Committee of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-president for Coordination of Petroleum Product Sales of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" First Vice-President of PJSC "LUKOIL" (Economics and Finance)
Length of service on the Management Committee (full years as at 31.12.15)		
22 years	5 years	22 years
Education and work experience		
<p>Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Distinguished energy industry specialist and Honored oil specialist.</p> <p>Recipient of five orders and eight medals, a Certificate of Honor and two Certificates of Gratitude from the Russian Federation President. Two times winner of the Russian Government Prize.</p> <p>Since 1968: worked at oil fields in Azerbaijan and Western Siberia.</p> <p>1987–1990: General Director of Production Association Kogalymneftegaz of Glavtyumenneftegaz of the USSR Ministry of Oil and Gas.</p> <p>1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas.</p> <p>1992–1993: President of the Oil Concern Langepasuraikogalymneft.</p> <p>1993–2000: Chairman of the Board of Directors of PJSC "LUKOIL".</p> <p>Since 1993: President of PJSC "LUKOIL".</p>	<p>Graduated from the N.I. Lobachevsky Gorky State University in 1983, and the N.I. Lobachevsky Nizhny Novgorod State University in 1998. Candidate of Economics (PhD). Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of Medals of the Order "For Merits before the Fatherland", 1st and 2nd Degree.</p> <p>1981–1992: elected to local youth and party bodies.</p> <p>1992–1998: in management positions at Nizhny Novgorod insurance and banking institutions.</p> <p>1998–2002: Vice-President, President JSC Oil Company NORSI-OIL.</p> <p>2002–2005: General Director of LLC LUKOIL-Volganefteprodukt.</p> <p>2005–2009: Vice-President, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution of OJSC LUKOIL.</p> <p>2009–2012: Vice-President, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution of PJSC "LUKOIL".</p> <p>Since 2012: Vice-President for Coordination of Petroleum Product Marketing and Distribution of PJSC "LUKOIL".</p>	<p>Graduated from Ivano-Frankovsk Oil and Gas Institute in 1979. Doctor of Economics. Distinguished Economist of the Russian Federation. Distinguished Energy Industry Specialist. Recipient of two orders and five medals, and a Certificate of Gratitude from the Russian Federation President. Russian Government Prize winner in Science and Engineering.</p> <p>1992–1993: Vice-President of the Oil Concern Langepasuraikogalymneft.</p> <p>Since 1993: First Vice-President of PJSC "LUKOIL".</p>
Share in charter capital of the Company (as at 31.12.2015)		
22.96%*	0.01%	0.39%

* Including direct and indirect ownership.



**Ravil
Maganov 1954**



**Sergei
Malyukov 1954**



**Ivan
Maslyaev 1958**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Executive Director of PJSC "LUKOIL" Member of the Management Committee of PJSC "LUKOIL" First Executive Vice-President of PJSC "LUKOIL" (E&P) Member of the Strategy and Investment Committee of the Board of Directors of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-President for Control and Internal Audit of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-President, General Counsel of PJSC "LUKOIL"
Length of service on the Management Committee (full years as at 31.12.15)		
22 years	4 years	15 years
Education and work experience		
Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation, Honored oil specialist. Recipient of four orders and five medals. Has a Letter of Acknowledgement from the Government of the Russian Federation. Three times winner of the Russian Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of OPE Langespasneftegaz. 1993–1994: Vice-President of OJSC LUKOIL. 1994–2006: First Vice-President of PJSC "LUKOIL" (E&P). Since 2006: First Executive Vice-President of PJSC "LUKOIL" (E&P).	Graduated from the F.E. Dzerzhinsky Military Engineering Academy in 1977 and Higher School of Economics in 1997. Candidate of Philosophical Sciences (PhD). Distinguished Oil Industry Specialist of the Russian Federation. Recipient of five medals and Order "For Merits before the Fatherland", 2nd Degree. 1972–1995: service in the armed forces. 1995–2010: Head of section, head of division, head of department of the Main Division of Strategic Development and Investment Analysis of OJSC LUKOIL. 2010–2012: Head of the Main Division of Control, Internal Audit and Risk Management of OJSC LUKOIL. Since 2012: Vice-President for Control and Internal Audit of PJSC "LUKOIL".	Graduated from the Lomonosov Moscow State University in 1980. Candidate of Legal Sciences (PhD). Distinguished Lawyer of the Russian Federation. Distinguished Oil Industry Specialist. Recipient of four medals. 1992–1993: Head of the Legal Department of the Oil Concern Langespasuraikogalymneft. 1994–1999: Head of the Legal Division. 2000–2012: Head of the Main Division of Legal Support of OJSC LUKOIL. Since 2012: Vice-President, General Counsel of PJSC "LUKOIL".
Share in charter capital of the Company (as at 31.12.2015)		
0.38%	0.005%	0.03%



**Alexander
Matytsyn 1961**



**Anatoly
Moskalenko 1959**



**Vladimir
Nekrasov 1957**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Member of the Management Committee of PJSC "LUKOIL" Senior Vice-President of Finance of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-President for Human Resource Management and Corporate Structure Development of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" First Vice-President of PJSC "LUKOIL" (Refining, Marketing and Distribution)
Length of service on the Management Committee (full years as at 31.12.15)		
18 years	12 years	16 years
Education and work experience		
Graduated from the Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Distinguished Economist of the Russian Federation. Recipient of two medals, including a Medal of the Order "For Merits before the Fatherland", 2nd Degree, and the Order of Honor. 1994–1997: Director, General Director of KPMG, international auditors. 1997–2012: Vice-President – Head of the Main Division of Treasury and Corporate Finance. 2012–2013: Vice-President of Finance of OJSC LUKOIL. Since 2013: Senior Vice-President of Finance of PJSC "LUKOIL".	Graduated from the Supreme Soviet of the RSFSR Moscow Higher Combined Arms Academy in 1980, Military Diplomatic Academy in 1987, Russian Academy of Government Service under the President of the Russian Federation in 2005. Candidate of Economics (PhD). Recipient of six orders and twenty medals. Russian Government Prize Winner. 1976–2001: service in the armed forces. 2001–2003: Head of the Human Resources Division, Head of the Human Resources Department of OJSC LUKOIL. 2003–2012: Head of the Main Division of Human Resources of OJSC LUKOIL. Since 2012: Vice-President, Human Resources Management and Corporate Structure Development of PJSC "LUKOIL".	Graduated from Tyumen Industrial Institute in 1978. Candidate of Technical Sciences (PhD), full member of the Academy of Mining Sciences. Distinguished specialist of the Ministry of Fuel and Energy of the Russian Federation. Distinguished Oil Industry Specialist. Recipient of two orders and six medals. Russian Government Prize Winner. 1992–1999: Chief Engineer, General Director of Territory Production Unit (TPU) Kogalymneftegaz of LLC LUKOIL-Western Siberia. 1999–2005: Vice-President of PJSC "LUKOIL", General Director of LLC LUKOIL-Western Siberia. Since 2005: First Vice-President of PJSC "LUKOIL".
Share in charter capital of the Company (as at 31.12.2015)		
0.30%	0.02%	0.04%



**Valery
Subbotin 1974**



**Gennady
Fedotov 1970**



**Azat
Shamsuarov 1963**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Member of the Management Committee of PJSC "LUKOIL" Vice-President for Sales and Supplies of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-President for Economics and Planning of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Senior Vice-President of PJSC "LUKOIL" for Oil and Gas Production.
Length of service on the Management Committee (full years as at 31.12.15)		
7 years	5 years	2 years
Education and work experience		
<p>Graduated from Tyumen State University in 1996. Recipient of two medals, including a Medal of the Order "For Merits before the Fatherland", 2nd Degree. Distinguished Oil Industry Specialist.</p> <p>1998–2003: JSC LUKOIL-Prague, JSC LUKOIL-Bulgaria, Moscow representation of LITASCO.</p> <p>2003–2005: First Deputy Head of the Administrative Office of the Board of Directors of OJSC LUKOIL.</p> <p>2005–2007: First Deputy Head of the Main Division of Sales and Supplies of OJSC LUKOIL.</p> <p>2007–2012: Vice-President, Head of the Main Division of Sales and Supplies.</p> <p>2012–2015: Vice-President for Sales and Supplies of PJSC "LUKOIL"</p>	<p>Graduated from Moscow Institute of Physics and Technology in 1993. Recipient of a Medal of the Order "For Merits before the Fatherland", 2nd Degree.</p> <p>1994–2002: employed by Halliburton and Shell.</p> <p>2002–2007: Head of Division, Deputy Head, Head of the Main Division of Corporate Budget Planning and Investments of OJSC UKOIL.</p> <p>2007–2012: Vice-President, Head of the Main Division of Economics and Planning.</p> <p>Since 2012: Vice-President for Economics and Planning of PJSC "LUKOIL".</p>	<p>Graduated from Ufa Oil Institute in 1986. Candidate of Technical Sciences (PhD). Distinguished Oil Industry Specialist. Recipient of a Medal of the Order "For Merits before the Fatherland", 2nd Degree. Russian Government Prize Winner.</p> <p>1997–2000: Chief Engineer of Oil and Gas Production Board (OGPB) Pokachevneft, Deputy General Director for Production of TPU Langepasneftegaz, Head of OGPB Pokachevneft, General Director of TPU Uraineftegaz.</p> <p>2000–2001: President of the Orenburg Oil Joint Stock Company (ONAKO).</p> <p>2001–2008: Vice-President, Senior Vice-President of LUKOIL Overseas Holding Ltd.</p> <p>2008–2012: Vice-President of OJSC LUKOIL, General Director of LLC LUKOIL-Western Siberia.</p> <p>2012–2013: Vice-President of OJSC LUKOIL for Oil and Gas Production.</p> <p>Since 2013: Senior Vice-President of PJSC "LUKOIL" for Oil and Gas Production.</p>
Share in charter capital of the Company (as at 31.12.2015)		
0.20%	0.007%	0.005%



**Evgeny
Khavkin 1964**



**Lyubov
Khoba 1957**



**Denis
Rogachev 1977**

Position at PJSC "LUKOIL" (as at 31.12.15)		
Member of the Management Committee of PJSC "LUKOIL" Vice-President, Chief of Staff of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-President, Chief Accountant of PJSC "LUKOIL"	Member of the Management Committee of PJSC "LUKOIL" Vice-President for Procurement of PJSC "LUKOIL"
Length of service on the Management Committee (full years as at 31.12.15)		
12 years	15 years	Appointed on 23 July 2015
Education and work experience		
Graduated from Moscow Institute of Economics, Management and Law in 2003. Recipient of two medals, and a Certificate of Gratitude from the Russian Federation President. Since 1988: employed at entities in Western Siberia. 1997–2003: Deputy Head, First Deputy Head of the Administrative Office of the Board of Directors of OJSC LUKOIL. 2003–2012: Secretary of the Board of Directors, Head of the Administrative Office of the Board of Directors of OJSC LUKOIL. 2012–2015: Vice-President, Chief of Staff of OJSC LUKOIL. Since 2015: Vice-President, Chief of Staff of PJSC "LUKOIL".	Graduated from Sverdlovsk Institute of the National Economy in 1992. Candidate of Economics (PhD). Distinguished Economist of the Russian Federation. Distinguished Oil Industry Specialist. Recipient of two orders and two medals. 1991–1993: Chief Accountant of OPE Kogalymneftegaz. 1993–2000: Chief Accountant of PJSC "LUKOIL". 2000–2003: Vice-President of PJSC "LUKOIL", Head of the Main Division of Financial Accounting of OJSC LUKOIL. 2003–2004: Chief Accountant, Vice-President of OJSC LUKOIL. 2004–2012: Chief Accountant of OJSC LUKOIL. Since 2012: Vice-President, Chief Accountant of PJSC "LUKOIL".	Graduated from I.M. Gubkin Russian State Oil and Gas University in 2000. 2000–2003: employed by the Main Division of Geology and Exploration of PJSC "LUKOIL", LLC LUKOIL-Western Siberia. 2003–2009: employed by Schlumberger Logelco and Baker Hughes B.V. 2009–2012: Deputy Head, First Deputy Head of the Administrative Office of the Board of Directors of PJSC "LUKOIL", Executive Assistant to the President of PJSC "LUKOIL". 2012–2013: General Director of LLC Trading House LUKOIL Since 2013: Vice-President for Economics and Planning of PJSC "LUKOIL".
Share in charter capital of the Company (as at 31.12.2015)		
0.008%	0.35%	0.001%

Top Management Remuneration System

The top management remuneration system was developed to facilitate the delivery of business targets, recruit and retain the Company's top executives. Top management¹ remuneration system comprises fixed and variable components.

The fixed component of the direct financial compensation consists of the base salary reflecting the importance of the position within the Company, scale and priority of implemented and supervised projects, and contribution to the development and roll-out of LUKOIL Group's strategy. Thus, the Company aims to offer fair and competitive salaries in line with the prevailing market averages.

The variable component of the direct financial top management compensation consists of short- and long-term incentive payments. The variable remuneration seeks to balance the interests of the Company's management and shareholders. Short-term incentive payments are made at the end of the year and therefore encourage the delivery of the Company's short-term targets. KPIs are the key factor underlying the manager's annual bonus.

Generally, there are two types of KPIs: corporate (teamwork efficiency) and individual (manager efficiency in achieving goals and objectives).



For more details see *Measuring success: key performance indicators* on p. 22

Top management remuneration system

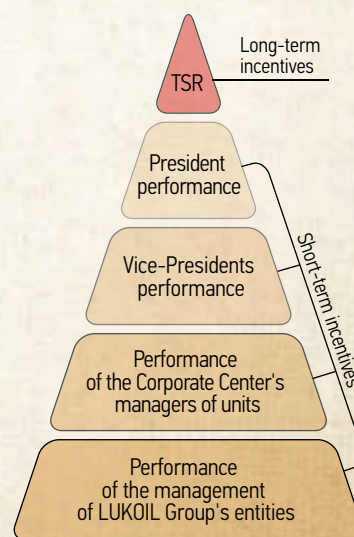
Total remuneration	Fixed	35%	Base salary	Monthly
	Variable	25%	Short-term incentives	Yearly, based on the delivery of corporate and individual KPIs
		40%	Long-term incentives	Yearly, based on performance under the long-term incentive plan

Long-term incentives

To maintain the motivation of the LUKOIL Group employees at a sustainable level and ensure commitment to share price and market capitalization maximization, PJSC "LUKOIL" Board of Directors adopted the Regulations on Long-Term Incentives for Employees of OJSC LUKOIL and its Subsidiaries for 2013–2017.

The Long-Term Incentive Plan involves executive stock option remuneration consisting of two components: annual bonuses in the form of annual quasi dividends paid on quasi shares assigned to executives, and bonuses paid at the end of the plan based on the number of quasi shares assigned to the executives and difference between the opening and closing share prices. The number of assigned quasi shares totals around 19 million shares. Participants have to spend at least half of the received bonus amount to buy PJSC "LUKOIL" shares.

The Company, however, does not allocate a specific portion of share capital to dedicated offerings.



TSR - total shareholders return.

¹ Top manager (executive employee) – President, First Executive Vice-President, First Vice-Presidents, Senior Vice-Presidents, Vice-Presidents of the Company.

BoD Remuneration System

The Annual General Shareholders Meeting held in June 2015 established the following amounts of the BoD remuneration and compensation package:

- Remuneration to the BoD members – 5.2 million rubles
- Remuneration to the Chairman of the Board of Directors – 1.2 million rubles.
- Remuneration to the Chairman of a BoD Committee – 600 thousand rubles
- Remuneration for in-person attendance at the BoD Committee meetings
- Remuneration for in-person attendance at the BoD and BoD Committee meetings requiring a transcontinental flight
- Remuneration to a director attending conferences and other meetings by written proxy of the Chairman of the Board of Directors

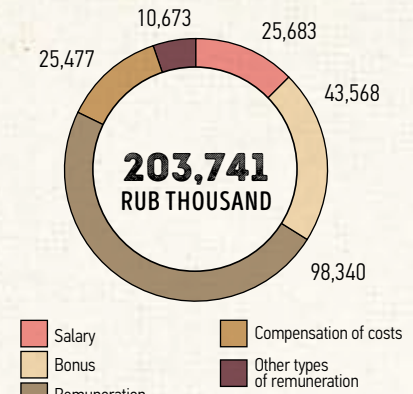
The Annual General Shareholders Meeting also decided to compensate costs incurred by the members of the Company's Board of Directors to perform their duties of members of the Board of Directors established by the Resolution of the Annual General Shareholders Meeting of OJSC LUKOIL dated 24 June 2004, in the amount of actual and documented expenses.

Management Committee Remuneration System

In the reporting year, the Management Committee members received remuneration equal to the monthly official salary in their main position. The remuneration was paid in line with the key contract provisions. All such contracts made with the Management Committee members stipulate the achievement of key corporate KPIs over the reporting period. On top of that, the Management Committee members received:

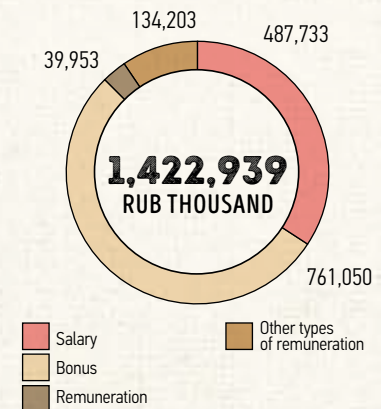
- their annual salaries,
- annual bonuses for their year-round performance,
- long-term incentive plan payments in the form of annually paid quasi dividends for quasi assigned shares under the Long-Term Incentive Plan for Employees of PJSC "LUKOIL" and its Subsidiaries,
- additional social benefits.

BoD payroll*, RUB thousand



* Including remuneration paid to BoD members who concurrently sit on the Management Committee in their capacity as BoD members.

Management Committee payroll in 2015*, RUB thousand



* Including the amount paid to the President of PJSC "LUKOIL"

Severance Pay for Top Management

In the event of early termination of the employment contract, the key executive officer is entitled to a severance pay in the amount of the fixed portion of his/her annual remuneration. The contract of PJSC "LUKOIL" President has the term of five years and may be terminated early subject to giving not less than one month's written notice of termination. In the event of early termination of the employment contract, the President is entitled to a severance pay in the amount of two times the fixed portion of his/her annual remuneration. The Company is not aware of any loans (credits) received (from a legal entity from a group of organizations that includes the Company) by members of the Board of Directors or Management Committee.

Directors and Officers and Corporate Liability Insurance

Pursuant to the 2015–2016 Directors and Officers (D&O) and Corporate Liability Insurance Policy (contract), PJSC "LUKOIL" insures the liability of:

- sole executive body, members of governing bodies, employees of PJSC "LUKOIL" and/or its subsidiaries and/or other organizations with an interest of PJSC "LUKOIL" and/or its subsidiaries whose candidates were elected members of the sole executive body and/or members of the governing bodies of such organizations (Coverage A);
- PJSC "LUKOIL", PJSC "LUKOIL" subsidiaries, other organizations with an interest of PJSC "LUKOIL" and/or its subsidiaries whose candidates were elected members of the sole executive body and/or members of the governing bodies of such organizations (Coverage B);
- PJSC "LUKOIL" and its subsidiaries when a securities claim is made against the Company (Coverage C).

Should the insured event occur, the insurance company undertakes to pay an indemnity within the liability limit (at least \$150 million for Coverages A, B and C, including legal defense costs). The total insurance premium is \$450,000.

Control Bodies

Audit Commission

Each year, the Annual General Shareholders Meeting elects the three members of the Audit Commission for a term of office expiring upon the convocation of the next Annual General Shareholders Meeting..

Commission Set-up in 2015:

- Pavel Suloev, Head of Audit and Internal Control at Management CJSC Center Asset Management
- Alexander Surkov, CEO at LLC LUKOIL-Volgograd Regional Accounting Center
- Mikhail Maximov, CEO at LLC LUKOIL-Perm Regional Accounting Center

Responsibilities:

Checking the reliability of the Company's annual accounting (financial) statements and Annual Report, exercising general control over the financial and economic activities..

2015 Results

Confirmed the reliability of data contained in the Company's 2014 accounting (financial) statements and annual report.

Remuneration:

In 2015, Annual General Shareholders Meeting established remuneration for the Audit Commission members in the amount of RUB 3,000,000 for each member.

Internal Audit

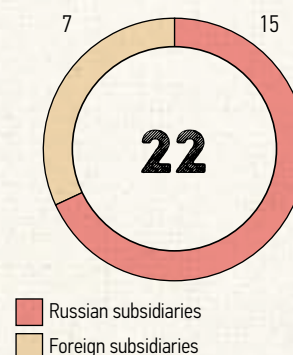
The purpose of internal audit of LUKOIL Group entities is to protect the Company's shareholder rights and interests, assist in achieving strategic goals and objectives through applying a holistic consistent approach to assessment and improvement of corporate governance, risk management, and internal control processes.

2015 Results

- Conducted controls & audits at LUKOIL Group entities
- Implemented the Program to Improve the Quality of Internal Audit
- Improved the methodological support of internal audit to align local regulations with unit structure modifications
- Developed and streamlined the Company's comprehensive internal audit assessment system
- Improved the relationship framework and consulting support for the Company's units and subsidiaries.
- Streamlined the internal auditor corporate development framework and the Internal Audit units of LUKOIL Group entities

In 2015, control and internal audit in LUKOIL Group entities were performed by PJSC "LUKOIL" Control and Internal Audit Service (CIAS), as well as by 22 specialized units for control and internal audit of LUKOIL Group entities (SUCIA).

LUKOIL Group SUCIA



To comply with the MICEX Listing Rules, the Corporate Governance Code, the Russian law, and the International Standards for the Professional Practice of Internal Auditing, the Extraordinary General Shareholders Meeting held at the end of 2015 approved amendments to the Charter of PJSC "LUKOIL" providing for functional reporting of the Internal Audit to the Board of Directors, enabling compliance with the Russian law and the International Standards for the Professional Practice of Internal Auditing, while maintaining high quality of the Company's internal audit.

Control and Audit Results

The inspections revealed breaches and risks at the Group level, assessed the monitoring environment and provided recommendations for rectification of the breaches and risk mitigation.

To prevent corruption and mitigate reputational risks, the 2015 controls & audits of the Internal Audit Service included auditing compliance with the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations.

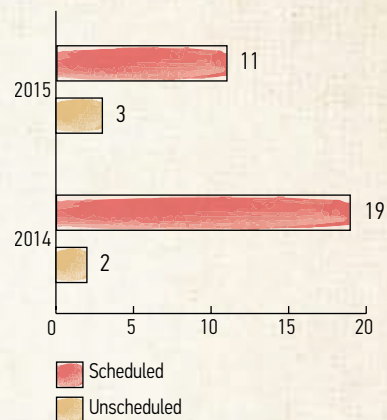
Audit Framework

In 2015, controls & audits were conducted in five entities and four joint ventures of LUKOIL Group. A significant reduction in the number of the Group entities having their own Audit Commissions was due to the Company's Management Committee resolution disbanding Audit Commissions at 50 of the Group entities in 2014.

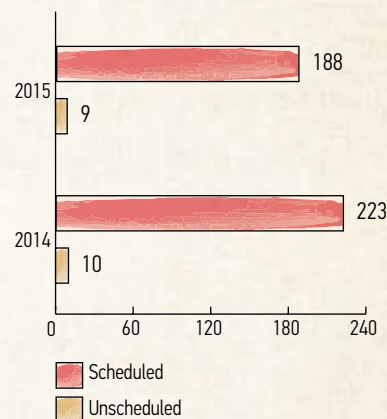
2016 Priorities

- Conduct audits at LUKOIL Group entities as prescribed by the approved 2016 audit plan
- Monitor LUKOIL Group entities' compliance with the internal audit guidelines and orders of the Group's governance bodies
- Enhance quality and efficiency of specialized units for internal audit, and improve control over the information quality concerning breaches and gaps identified during audits
- Develop professional competences of LUKOIL Group's internal auditors

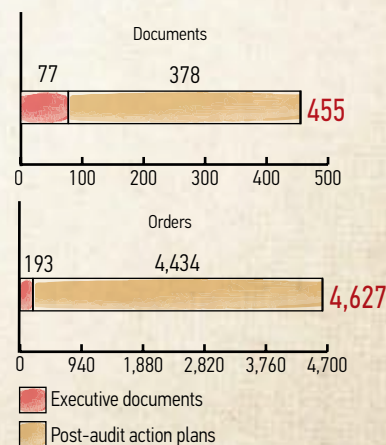
Controls and audits by the CIAS



LUKOIL Group SUCIA inspections



Monitoring of post-audit initiatives



Risk Management and Internal Control System

MANAGING RISKS TO SECURE THE FUTURE

2015 Results

- Updated information on identified risks
- Collected information on realized risks
- Continued updating local regulations to ensure risk management integration into other business processes
- Conducted risk management trainings
- Provided risk management training and coaching

2016 Priorities

- Improve the regulatory framework
- Complete risk management integration into the corporate governance system through risk-focused core business processes
- Analyze and provide guidelines on managing the Company's material risks

Risk management is an integral part of the Company's corporate governance system applied at all management levels to facilitate the achievement of its objectives despite uncertainties and negative factors. With the Group's business affected by both external and internal risks, we identify, describe, assess and monitor such risks across PJSC "LUKOIL" on an ongoing basis, and plan measures to prevent such risks or minimize their potential negative effect. PJSC "LUKOIL" is committed to developing its risk management framework and is currently improving the corporate enterprise risk management (ERM) system to match the international best practice.

Independent auditor

The independent auditor is selected based on the BoD Audit Committee recommendations and approved by the General Shareholders Meeting. The functions of an independent auditor for the Company and its major subsidiaries are discharged by JSC KPMG.

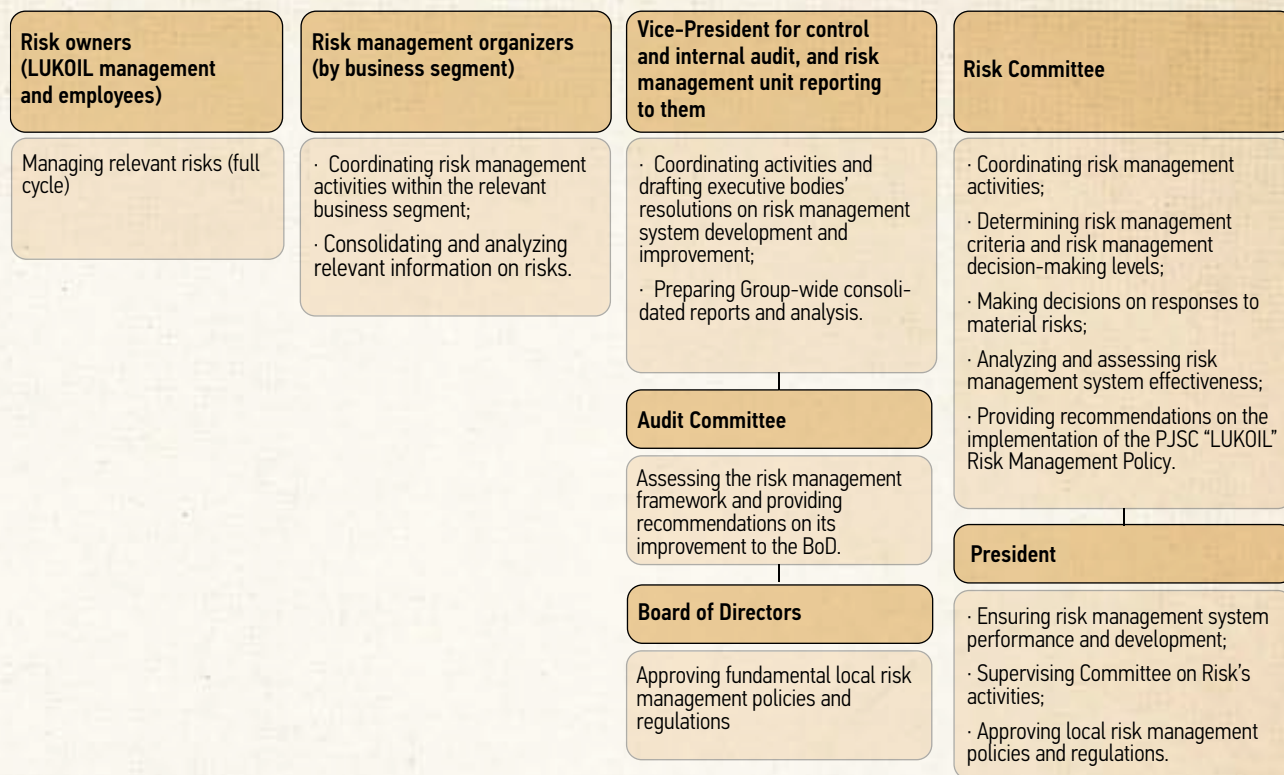
Auditor independence is defined as prescribed by the Russian and international auditor independence standards and rules, corporate requirements and auditor policy. For instance, to avoid the risks arising from a close relationship and personal interest, the above standards and rules require that the key partner responsible for the audit exercise be changed at least once every seven years.

The share of remuneration unrelated to audits in the overall auditor remuneration package may not exceed 25%.

Regulations and Policies:

- OJSC LUKOL Risk Management Policy (outlining risk management goals, objectives and principles)
- Regulations on Risk Management at OJSC LUKOIL (defining risk management roles and responsibilities and establishing relevant procedures)
- LUKOIL Group Risk Identification, Description and Assessment Procedure
- Guidelines for risk response reporting, qualitative and quantitative residual risk assessment, and risk monitoring

Key Participants of the Risk Management Process

**Responsibilities:**

- Auditing PJSC "LUKOIL" accounting (financial) statements under the Russian Accounting Standards (RAS)
- Auditing consolidated financial statements issued by PJSC "LUKOIL" and its subsidiaries under IFRS
- Auditing accounting statements of the Company's major subsidiaries under the Russian or local accounting standards
- Reviewing interim consolidated financial statements issued by PJSC "LUKOIL" and its subsidiaries under IFRS

2015 Results:

- Completed the audit of and prepared opinions on US GAAP consolidated financial statements of PJSC "LUKOIL" and its subsidiaries, and 2014 accounting statements of the Company's major subsidiaries under RAS
- Completed the audit of the 2014 accounting statements from the Company's major foreign subsidiaries under the local accounting standards
- Completed the audit review of and issued opinions on interim consolidated financial statements issued by PJSC "LUKOIL" and its subsidiaries under US GAAP for Q1, Q2 and Q3 2015
- Completed the audit of the 2014 consolidated financial statements issued by PJSC "LUKOIL" and its subsidiaries under IFRS
- Completed the audit review of and issued opinions on interim consolidated financial statements issued by PJSC "LUKOIL" and its subsidiaries under IFRS for Q1, Q2 and Q3 2015

Business Ethics

At the very heart of the Company's business lie its corporate values, which ensure compliance with the highest conduct standards, further enhancing the Company's reputation. Development and adoption of the Code of Business Conduct and Ethics, and of local regulations governing, inter alia, business ethics, is an essential element of the corporate governance system.

Code of Business Conduct and Ethics and Rules of Corporate Culture

To ensure compliance with rules of business conduct, ethical norms for intra-corporate relations, social responsibility and other priority matters relating to business ethics, the Company adopted the Code of Business Conduct and Ethics and the Rules of Corporate Culture of LUKOIL Group entities. The Code of Business Conduct and Ethics is based on generally accepted norms of business ethics, and on officially approved Russian and foreign documents that define best corporate governance practices. Adherence to the norms and rules set out in such documents is mandatory for the members of the Board of Directors, the Management Committee, the Audit Commission, and all the Company's employees.

Business Ethics Commission

To regulate corporate ethics and implement the Code of Business Conduct and Ethics and the Rules of Corporate Culture of LUKOIL Group entities, the Company set up a permanent Business Ethics Commission responsible for: implementing the Code of Business Conduct and Ethics and the Rules of Corporate Culture of LUKOIL Group entities, and monitoring such implementation; summarizing and analyzing information on any violations of the Code of Business Conduct and Ethics, including conflicts of interest; developing proposals and issuing recommendations on prevention and elimination of any violations of the Code of Business Conduct and Ethics.

Composition: nine members of which eight seats are taken by the Company's Management Committee members.

OJSC LUKOIL's Code of Business
Conduct and Ethics

[http://www.lukoil.ru/materials/doc/
documents/lukoil_corp_code.pdf](http://www.lukoil.ru/materials/doc/documents/lukoil_corp_code.pdf)

Code violation and conflict of
interest reports, as well as business
ethics proposals (anonymous
reports and proposals are not
accepted) to be sent to:
ethics@lukoil.com

Human Rights

The Company respects human rights in strict compliance with statutory requirements in effect in Russia and other countries of presence. PJSC "LUKOIL" is guided in its business, among other things, by the UN Universal Declaration of Human Rights, and by conventions of the International Labor Organization (ILO). PJSC "LUKOIL" was the first and the only Russian private company to have signed in 2012 a cooperation agreement with the ILO in three areas – youth employment, HR exchange and HR training. Under this agreement, Russia, Azerbaijan, and Kazakhstan implement the "Partnership in the Area of Youth Employment in the Commonwealth of Independent State" project. The project's key targets are to increase the efficiency of youth employment policies and programs in Eastern Europe and Central Asia, support regional link-ups and knowledge sharing on youth employment, as well as improve regional competitive edge and boost regional economic growth.

The Committee Secretary accepts reports on violations of the Code of Business Conduct and Ethics, conflicts of interest, as well as other inquiries and proposals on business ethics to be escalated to the Committee.

Responsibility and performance monitoring:

To avoid potential negative consequences for business activities of LUKOIL Group entities, executives at all levels, within the scope of their authority, assess performance of their employees for conflicts of interest.

Controls & audits performed by internal audit units identify conflicts of interest in activities of LUKOIL Group entities or their employees, as well as risks of negative consequences of such conflicts of interest.

The list of local regulations governing business ethics for different stakeholders is presented in sections of the Code of Business Conduct and Ethics of OJSC LUKOIL.

Employees of a LUKOIL Group entity and their managers shall duly report the conflict of interest immediately after they have become aware thereof, subject to confidentiality and consideration of each conflict of interest on a case by case basis.

Relationships with Suppliers and Contractors

The Company is committed to responsible business practices and requires its suppliers and contractors to adhere to the standards of legal compliance, health and safety, environmental and social responsibility, equality and mutual respect.

While defending its interests, PJSC "LUKOIL" respects fair and lawful interests of its counterparties. The Company closely monitors delivery of its contractual obligations, maintaining its reputation as a reliable business partner. Segregation of duties, procedures, rights and responsibilities in dealings with suppliers and contractors and, in particular, supervision of tendering activities are governed by the Regulations on the Tendering Committee of a LUKOIL Group Entity and the Regulations on the Procurement Committee of OJSC LUKOIL. Compliance with tender procedures is monitored by the Internal Audit Service of PJSC "LUKOIL".

Tenders in 2015



Information for shareholders and investors

2015 Results

- Higher dividend yield, growth of the total shareholders return (TSR) by 13.4%
- Active communications with investors and shareholders aimed at increasing informational transparency

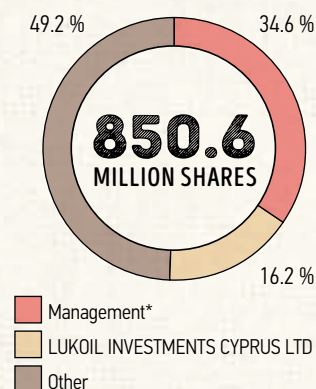
2016 Priorities

- Maintain competitive dividend payouts adjusted for inflation and devaluation
- Diversify and expand the shareholder and investor base

Charter Capital

The Company has a charter capital of 850,563,255 ordinary shares with a par value of RUB 0.025 each.

PJSC "LUKOIL" equity capital
breakdown as at 31 December 2015



* Shares of the Board of Directors members, including Vagit Alekperov – 22.96%, Leonid Fedun – 9.78%, and shares of the members of PJSC "LUKOIL" Management Committee in the charter capital of PJSC "LUKOIL", including indirect ownership. Except for the persons listed above, the Company management is not aware of any shareholders (holders of shares) holding more than 5% in the Company's charter capital.

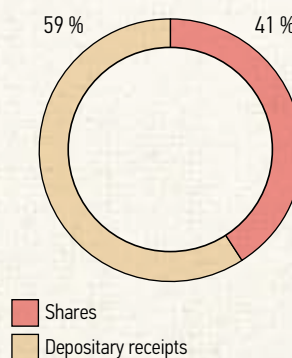
Major shareholders of PJSC "LUKOIL" as at 31 December 2015¹

	% of shares as at 31.12.2014	% of shares as at 31.12.2015
National Settlement Depository (nominal shareholder) ²	91.48	92.09
SDK Garant (nominal shareholder)	2.78	2.52

¹ Holding more than 1% of the charter capital, as per the shareholder register.

² Non-Banking Credit Organization Closed Joint-Stock Company National Settlement Depository. Status of the central depository granted by Decree of the Federal Financial Markets Service of Russia No. 12-2761/pz-i of 06 November 2012.

PJSC "LUKOIL" shares and
depository receipts as at 31
December 2015



Securities

PJSC "LUKOIL" SHARES ARE ONE OF THE MOST LIQUID SECURITIES IN THE RUSSIAN EQUITY MARKET

PJSC "LUKOIL" ordinary share and depositary receipts tickers

Ticker	Exchange	Type	Listing
LKOH	MICEX (Moscow Exchange)	Ordinary shares	1 st level

The ordinary shares admitted to the Moscow Exchange A1 quotation list are one of the most liquid instruments in the Russian equity market. The par value per share is RUB 0.025.

LKOD	London Stock Exchange	Depositary receipts	Standard
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The depositary receipts (DRs) of PJSC "LUKOIL" are listed on the London Stock Exchange where the greatest part of the Company's securities trade. One DR issued by PJSC "LUKOIL" equals one ordinary share issued by PJSC "LUKOIL". PJSC "LUKOIL" depositary receipts are one of the most liquid Eastern European stocks.

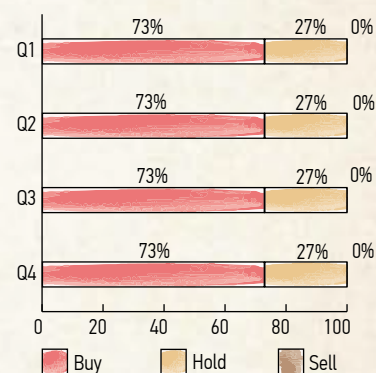
LUK	Frankfurt Stock Exchange	Depositary receipts	
LUKOY	US OTC market		

On top of that, PJSC "LUKOIL" depositary receipts trade on the Frankfurt, Munich and Stuttgart Stock Exchanges and on the US OTC market.

AROUND **100** THOUSAND
INDIVIDUALS AND LEGAL ENTITIES HOLDING
PJSC "LUKOIL" SHARES AND DRS

LEADING INVESTMENT BANKS GIVE
A "BUY" RECOMMENDATION FOR THE
COMPANY'S STOCK

Analyst recommendations for
PJSC "LUKOIL" shares from leading
investment banks* in 2015



* The leading investment banks include Bank of America-Merrill Lynch, UBS, JPMorgan, Citi, Deutsche Bank, Credit Suisse, Goldman Sachs, Morgan Stanley, HSBC, Barclays, Sberbank, Uralsib, Renaissance Capital and VTB.

Indices which include PJSC "LUKOIL" stock

Index	PJSC "LUKOIL" share and depositary receipt index weight as at 31 December 2015
Bloomberg World Oil & Gas	1.2%
MSCI Emerging Markets EMEA	3.0%
MSCI Emerging Markets Eastern Europe	9.3%
FTSE Russia IOB	16.0%
MSCI Russia	14.0%
MICEX	11.9%

Stock Price Performance

In 2015, plunging oil prices, ongoing geopolitical tensions, and the contracting Russian economy were the main pressure on the Russian stock indices. In 2015, the annual average price of Urals crude dropped by 47.3% to \$51.42 per barrel, driving RUB/USD FX rate devaluation by 23.0%. As a result, the US dollar-denominated RTS index went down by 4.3%, and the Russian Ruble-denominated MICEX index went up by 26.1%.

The Company's MICEX shares went up by 5.4% to RUB 2,354.9 per share. However, at the LSE, the Company's shares went down by 19.1%, to \$32.2 per DR.

Despite the declining market, analysts of the leading investment banks see growth potential for PJSC "LUKOIL" shares

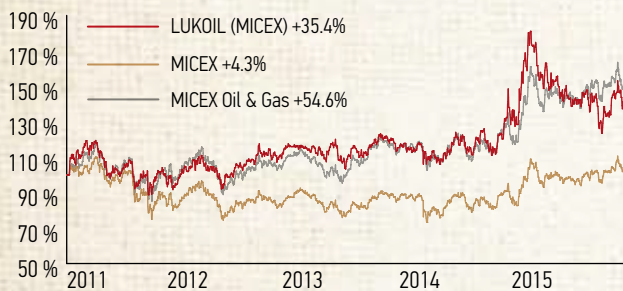
Moscow Exchange



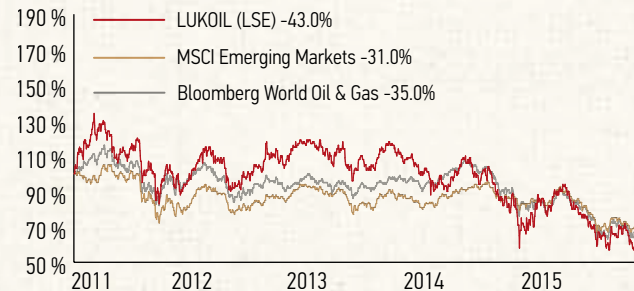
London Stock Exchange



Performance vs. Russian indices



Performance vs. international indices



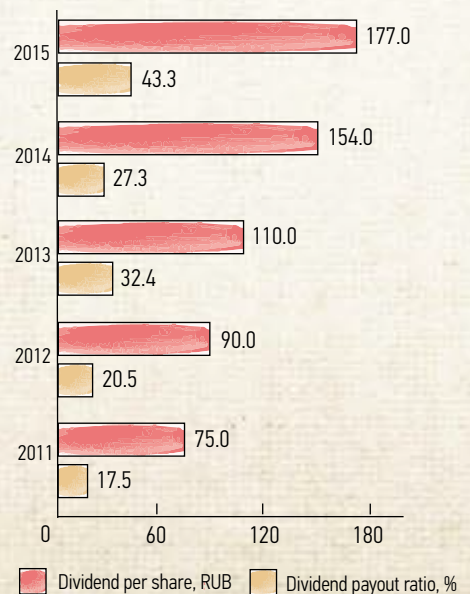
Dividends

Principles

LUKOIL's Dividend Policy is based on balancing the interests of the Company and its shareholders, boosting the Company's investment case and market capitalization, and enforcing the respect of shareholder rights in line with the applicable laws of Russia, PJSC "LUKOIL" Charter, and internal regulations.

The Company has been progressively increasing the dividend per share amount since its very inception, and now it offers top dividend yields among peers. Despite the plunging oil prices and weaker financial results for 2015, the Board of Directors, in line with the best global industry practices, recommended that the amount of dividends per share be increased by 14.9% to RUB 177.

Dividend per share and dividend payout ratio*



* The 2015 payout ratio is calculated based on the recommendation of the Board of Directors to pay dividends of RUB 177 per share for 2015, basic earnings per share for the corresponding period. 2010-2013 data is based on US GAAP standards.

Period	2013			2014			2015		
	6M FY2013	FY2013	TOTAL	9M FY2014	FY2014	TOTAL	9M FY2015	FY2015	TOTAL
Accrued dividend per share, RUB	50	60	110	60	94	154	65	112	177
Accrued dividend, RUB mln	42,528	51,034	93,562	51,034	79,953	130,987	55,287		
The issuer's governing body deciding on dividend payouts	Extraordinary General Shareholders Meeting	Annual General Shareholders Meeting		Extraordinary General Shareholders Meeting	Annual General Shareholders Meeting		Extraordinary General Shareholders Meeting		
Date of the meeting of the issuer's governing body deciding on the dividend payout	30 September 2013 Minutes No.2 of 02 October 2013	26 June 2014 Minutes No.1 of 30 June 2014		12 December 2014 Minutes No.2 of 16 December 2014	25 June 2015 Minutes No.1 of 29 June 2015		14 December 2015 Minutes No.2 of 16 December 2015		
Declared dividend payout period	up to 31 October 2013	up to 28 July 2014 and 18 August 2014 ³		up to 19 January 2015 and up to 09 February 2015 ⁴	up to 27 July 2015 and up to 17 August 2015 ⁴		up to 14 January 2016 and up to 04 February 2016 ⁴		
Ratio of unpaid to accrued dividends, % ¹	0.100279	0.091572	0.095530	0.105815	0.090446	0.096434	0.097132		

¹ Dividends that have not been paid to the shareholders who did not submit dividend transfer details pursuant to article 44, clause 5, of Federal Law On Joint-Stock Companies No. 208-FZ dated 26 December 1995. Dividends accrued on stock owned by unidentified persons are paid if and when shareholder rights to the securities are identified.

² Within 60 days after the dividend payout resolution is passed.

³ Nominee shareholders and trustees (professional security traders as per the applicable Russian law) whose names are on OJSC LUKOIL's shareholder register are entitled to receive their dividends within 10 business days after the date of record (15 July 2014) / all the other shareholders whose names are on OJSC LUKOIL's shareholder register receive their dividends within 25 business days after the date of record (15 July 2014).

⁴ Nominee shareholders and trustees (professional security traders as per the applicable Russian law) whose names are on PJSC LUKOIL's shareholder register / other shareholders whose names are on PJSC LUKOIL's shareholder register.

Total accrued dividends are calculated through multiplication of the total number of PJSC LUKOIL's shares by the amount of dividends per share.

Consolidated dividend payout ratio is calculated based on the amount of dividend per share, RUB/USD exchange rate at the end of the reporting period, total number of PJSC LUKOIL's shares and consolidated net income over the period.

The dividend yield would then stand at 6.9%, i.e. above the averages offered by private oil & gas majors. The final dividend amount for 2015 will be approved by the Annual General Shareholders Meeting.

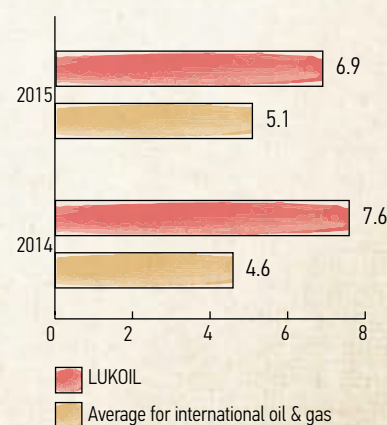
Taxes

In accordance with tax treatment effective from 01 January 2015, the dividends paid out in 2015 (for 2014) were subject to income tax (personal income tax and corporate income tax) at 13% (residents) and 15% (non-residents not covered by international double taxation agreements), as well as at tax rates set out in international double taxation agreements to which the Russian Federation is a party.



PJSC "LUKOIL" Regulations on the Dividend Policy

Dividend yield*, %



* Dividend yield is calculated based on the recommendation of the Board of Directors to pay dividends of RUB 177 per share for 2015 and the average market price of PJSC "LUKOIL" shares on the Moscow Exchange during 2015.

Informational Transparency

PJSC "LUKOIL" has been successfully running a corporate disclosure and investor relations system for over ten years now. This system has grown to become a benchmark in the Russian stock market. The Company regularly provides stakeholder friendly disclosure updates under the Russian law and rules of Moscow Exchange and London Stock Exchange

Dialogue with investors and shareholders

LUKOIL is one of the few Russian companies with a large proportion of minority shareholders. We are therefore particularly aware of how important shareholder and investor communications are. According to MICEX, LUKOIL ranks inside the TOP-5 companies with the highest free-float among the issuers listed on the Russian Exchange.

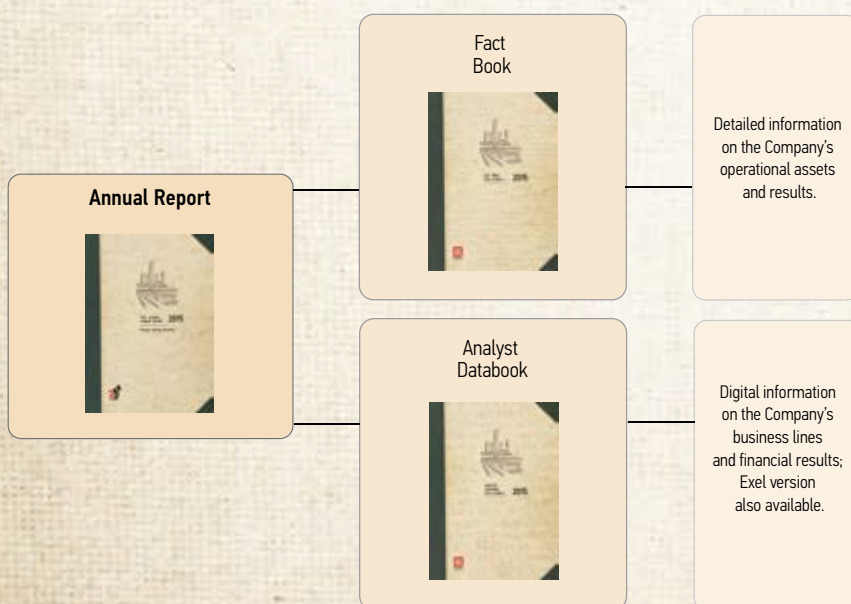
Hence, LUKOIL is continuously increasing its informational transparency through making available a wide range of publications, going beyond applicable statutory requirements.

The Company makes annual online publications – Annual Report, Analyst Databook (in pdf and xls formats), Fact Book. PJSC "LUKOIL" Sustainability Report is published every two years.

The Company makes regular and timely publications of press releases and disclosures material facts on major developments within the Group. The Company makes quarterly online publications of issuer's reports, RAS and IFRS financial statements, as well as presentations and management's discussion and analysis of the Company's financial position and results of operations.

2016 Financial Calendar

Financial results announcement	
2015 full-year results	04 April 2016
Q1 2016 results	June 2016
Q2 2016 results	August 2016
Q3 2016 results	November 2016
Dividends at the end of 2015	
Board of Directors recommendation	26 April 2016
Dividend record date setting	12 July 2016
General Shareholders Meeting	
Annual General Shareholders Meeting	23 June 2016
Annual publications	
Annual Report	May 2016
Analyst Databook	June 2016
Fact Book	June 2016



The Company is constantly striving to enhance its disclosure and acknowledges its role in boosting its market capitalization – hence the extensive use of all communication tools available, including financial results conference calls and webcasts, presentations, site visits, Investor Days, senior management speeches at conferences, face-to-face meetings and interviews. The Company regularly responds to inquiries made by institutional investors, environmental organizations, and shareholders, and makes an annual disclosure report on greenhouse gas emissions and energy efficiency of the Carbon Disclosure Project (CDP).

In 2015, the Company was engaged in active communications with investors and shareholders aimed at increasing informational transparency:

- Held four financial results conferences, including those held by the top management
- Held the March 2015 Investor Day in London
- Attended nine investment conferences
- Conducted the General Shareholders Meeting in Volgograd
- Organized one-on-one meetings attended by more than 1,000 persons
- Processed over 2,000 information requests
- Publications, including Annual Report, Analyst Databook, Fact Book and Corporate Governance Report

PJSC “LUKOIL” investor and shareholder footprint



- Annual General Shareholders Meeting:**
Russia, Volgograd
- Investor Day:**
UK, London
- Conference attendance:**
USA, Vail
USA, Houston
UK, Hertfordshire
USA, New York
UK, London

2015 IR Awards



In 2015, the Company's Annual Report ranked first among the reports produced by Russian oil & gas companies, for the second time running (according to E.com). The Company's Annual Report also ranked 141th globally (in 2014 – ranked 267th).



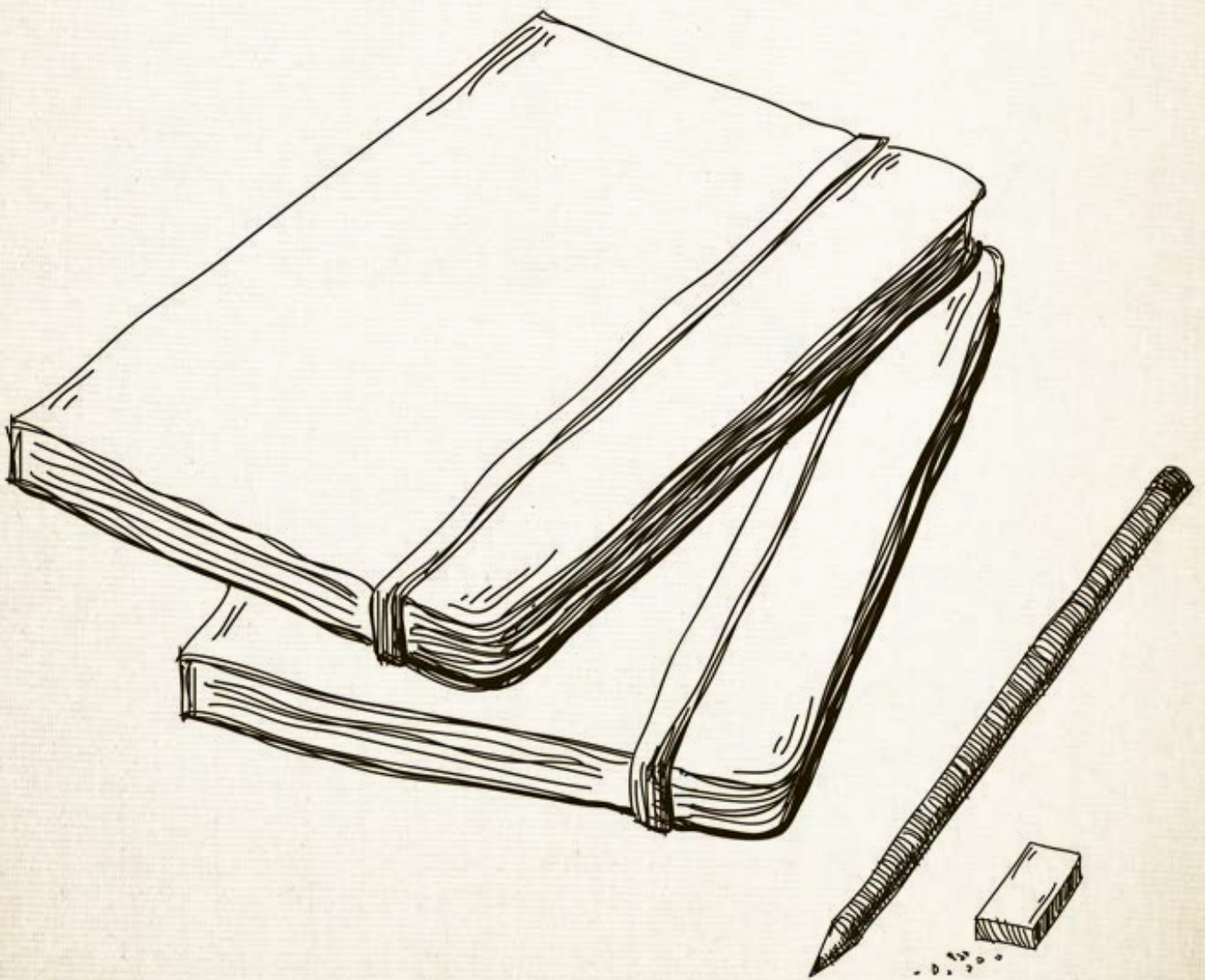
For the first time the Company earned an award in the rating “Corporate Transparency of Major Russian Companies 2015” from the Russian Regional Network on Integrated Reporting for quality disclosures in the Company's annual reports.

Investor and Shareholder Relations

Tel.:	+7 (495) 627-16-96	+ 7 (495) 983-21-71 8 (800) 200-94-02
E-mail:	ir@lukoil.com	shareholder@lukoil.com

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APPENDICES



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Corporate Governance Code Compliance Report

This Report on compliance with the Corporate Governance Code (or the "Code") recommended by the Bank of Russia as a guidance for all publicly traded joint-stock companies is included in the Annual Report in line with Chapter 70 of the Bank of Russia's Regulations No. 454-P On Information Disclosure by Securities Issuers dated 30 December 2014.

The recommended Corporate Governance Code is an extensive document that considerably exceeds many of its foreign counterparts in terms of size and level of detail. It is also substantially different from the Corporate Governance Code that was in effect before 2014 and was recommended as a guidance by Russia's Federal Commission for the Securities Market, which implies a certain transition period for changing some of corporate governance principles applied by Russian companies.

At present, the Board of Directors may confirm that almost all basic principles of the Code (i.e. principles specified in the Code under two-digit numbers) are met by the Company, except that the Company has no position of Corporate Secretary, with the relevant authority vested with, by previous resolution of the Board of Directors, the Secretary of the Board of Directors who is annually appointed by the Board of Directors for the term of the Board. However, in late 2015, the Company's Charter was amended to expand the powers of the Board of Directors to include decision-making on appointment and dismissal of the Company's Corporate Secretary; determining the size of remuneration of, and bonus scheme for, the Corporate Secretary, and approving the Regulations on the Corporate Secretary of the Company.

Along with the basic principles, Part A of the Code lays down Tier 2 principles, while Part B includes recommendations on corporate governance principles.

Currently, the Company's corporate governance has some inconsistencies with the Tier 2 principles of the Code, in particular:

the Chairman of the Board of Directors is a non-executive director, whereas independent directors have not appointed a senior independent director;

the Audit and HR and Compensation (the latter acting as both HR and Nomination Committees) Committees are made up of independent and non-executive directors, with directors who fully meet the independence criteria set forth in the Code not constituting a majority in the reporting year. In the Audit Committee, however, directors who met the independence criteria of the MICEX Listing Rules constituted a majority as at the end of 2015, and, since January 2016, most members of the Audit Committee fully comply with the independence criteria set by the Code. Chairmen of both Committees are independent directors;

in the reporting year, the Company had a business unit responsible for internal audit, with no separation for functional and administrative subordination; this unit was functionally and administratively reporting to the Company's President. However, in 2015, the Company's Charter was amended to vest with the Board of Directors decision-making on appointment and dismissal of the head of the Company's internal audit unit accountable to the Company's Board of Directors; approving the internal audit policy (Regulations on Internal Audit) and other local regulations on internal audit, and action plans and the budget of the internal audit unit; and reviewing action plan and internal audit progress reports;

the Company's Charter does not lay down any list of material (as defined by the principles and recommendations of the Code) corporate actions that would be subject to special consideration and approval rules, with such list providing for additional procedures, restrictions and obligations exceeding the requirements of laws currently in effect.

In the reporting period and in early 2016, the Company took measures to achieve higher compliance with the Code's principles, including a reform of the internal audit system in the Company.

As a result, internal audit functions were separated from internal control and risk management functions. An Internal Audit Service functionally reporting to the Board of Directors was set up. The Board of Directors also decided to appoint a head of the Internal Audit Service.

Regulations on the Audit Committee of the Board of Directors of PJSC "LUKOIL" were approved in early 2016. The new regulations bring the Committee's functions and tasks in line with the requirements of the MICEX Listing Rules and recommendations of the Code. In the short term, the Company is planning to approve new Regulations on the HR and Compensation Committee of the Board of Directors of PJSC "LUKOIL".

An overview of the most relevant aspects of the corporate governance model and practices in PJSC "LUKOIL" is presented in the Corporate Governance section of the Annual Report.

The Company currently has a potential to improve and streamline its corporate governance to ensure greater management transparency.

As Part A of the Code sets out the corporate governance principles and Part B provides recommendations thereto, describing preferred methods of implementation of these principles as specific steps to be taken by the governance bodies, corporate procedures and local regulations, the Company's Board of Directors will primarily focus on compliance with the principles set forth in Part A.

The Company also takes into account that after the Code was drafted and put in place in 2013–2014, certain changes have occurred, and are still occurring, in the financial and economic environment and in Russian corporate laws.

In cases where certain recommendations of the Code provide for additional restrictions and obligations with respect to material corporate actions, other than provided in laws currently in effect, and for their incorporation in internal documents, the Company will assess potential legal risks and, based on such assessment, choose whether to follow such recommendations or strictly adhere to applicable laws.

The Company will also be guided by those of the Code's numerous principles and recommendations that will be directly incorporated into the issuer requirements set forth by the Russian stock exchanges' listing rules as a prerequisite for admission of securities to the highest level quotation list. The Company believes that the investor community is likely to focus on compliance with such corporate governance requirements, and that their applicability is proven in practice by major Russian companies.

Going forward, implementation of the principles and recommendations set forth in the Code will be subject to the Company's assessment of the positive impact they may have on its growth strategy, economic performance and efficiency of corporate governance bodies' decision-making, along with LUKOIL's investment case. The Company will also closely watch its organizational and management profile, changes in the membership of its Board of Directors and in its shareholder structure, the effective organizational structure and distribution of authorities among its key officers.

The table template included in the Bank of Russia's Letter No. IN-06-52/8 of 17 February 2016 has been used to assess compliance with the principles and recommendations of the Corporate Governance Code subject to filling-out guidelines set out in the letter.

The Board of Directors certifies that all data in this Report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2015.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
1.1	The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company.	
1.1.1	The company shall ensure the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on items considered.	<ol style="list-style-type: none"> 1. The company's internal document approved by the general meeting of shareholders governing the procedures to hold general meetings of shareholders is publicly available. 2. The company provides accessible means of communication with the company, such as a hotline, e-mail or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting shall enable shareholders to properly prepare for attending the general meeting.	<ol style="list-style-type: none"> 1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. 2. The notice of an upcoming meeting indicates the location of the meeting and the documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and who nominated candidates to the company's board of directors and the audit commission.
1.1.3	In preparation for the general meeting and during the general meeting, shareholders shall be enabled to receive information about, and all materials related to, the meeting, put questions to executive bodies and members of the board of directors, as well as communicate with each other, in an unobstructed and timely manner.	<ol style="list-style-type: none"> 1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the annual general meeting. 2. The position of the board of directors (including dissenting opinions entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting of shareholders. 3. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by the company, in all instances of general meetings held in the reporting period.
1.1.4	Shareholders shall not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to governance bodies, and to make proposals for the agenda of the general meeting.	<ol style="list-style-type: none"> 1. In the reporting period, shareholders had an opportunity to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year. 2. In the reporting period, the company did not reject proposals for the agenda or candidates to management bodies due to misprints or other insignificant flaws in the shareholder's proposal.
1.1.5	Each shareholder shall be enabled to freely exercise his/her voting right in the simplest and most convenient way.	<ol style="list-style-type: none"> 1. The internal document (internal policy) contains provisions stipulating that every participant in the general meeting may, before the end of the respective meeting, request a copy of the ballot filled in by them and certified by the counting commission.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 3 not fully complied with.

The Company's shareholders were not given access to the information on who proposed the agenda items and who nominated candidates to the Company's Board of Directors and the Audit Commission prior to the annual General Shareholders Meeting; however, this information was presented in the reports of the Vice-President, Chief of Staff of PJSC "LUKOIL" at the Annual General Shareholders Meeting in 2015 on the agenda items on elections to the Company's Board of Directors and Audit Commission.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

Amendments to the Company's Charter entitling shareholders to propose items to be included in the agenda of the annual General Shareholders Meeting for at least 60 days after the expiry of the relevant calendar year were approved by the annual General Shareholders Meeting on 25 June 2015. Accordingly, this opportunity will be provided starting from 2016.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

The annual General Shareholders Meeting of 2016 is planning to approve amendments to the current version of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL that will provide, inter alia, for the right of all participants of the General Shareholders Meeting to request certification of copies of their ballots by the Counting Commission.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
1.1.6	The general meeting procedure established by the company shall equally enable all persons attending the meeting to voice their opinion and ask questions.	<ol style="list-style-type: none"> 1. During general shareholders meetings held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on and discussion of the agenda items. 2. Candidates to the company's management and control bodies were available to answer shareholders' questions during the meeting at which their nominations were put to vote. 3. When passing resolutions on the preparation and holding of general meetings of shareholders, the board of directors considered the use of telecommunications means to provide shareholders with remote access to general meetings in the reporting period.
1.2	Shareholders have equal and fair rights to share profits of the company by receiving dividends.	
1.2.1	The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and paying dividends.	<ol style="list-style-type: none"> 1. The company's dividend policy is developed, approved by the board of directors and disclosed. 2. If the company's dividend policy uses the company's reporting figures to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements.
1.2.2	The company shall not resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company's performance.	<ol style="list-style-type: none"> 1. The company's dividend policy contains clear indications of financial/economic circumstances under which the company shall not pay out dividends.
1.2.3	The company shall not allow the dividend rights of its existing shareholders to be impaired.	<ol style="list-style-type: none"> 1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.
1.2.4	The company shall strive to exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value.	<ol style="list-style-type: none"> 1. To exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value, the company's internal documents provide for controls to ensure timely identification and procedure for approval of transactions with affiliates (associates) of the company's substantial shareholders (persons entitled to use the votes attached to voting shares) in cases when the law does not formally recognize these transactions as related-party transactions.
1.3	Corporate governance system and practices ensure equal treatment for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.	
1.3.1	The company has created conditions for fair treatment of each shareholder by the governing bodies and the company's controlling entities, including conditions ruling out abuse of minority shareholders by major shareholders.	<ol style="list-style-type: none"> 1. In the reporting period, the procedures for managing potential conflicts of interest among major shareholders were efficient, and the board of directors paid due attention to conflicts among shareholders, if such conflicts occurred.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Criterion 2 not fully complied with.

Under the effective Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL, the Company's Board of Directors distributes invitations to attend the General Shareholders Meeting to nominees when the General Shareholders Meeting is supposed to consider election of the Company's President, members of the Company's Board of Directors, members of the Company's Audit Commission, and approval of the Company's Auditor.

As a rule, most nominees are present at the General Meeting and available to answer questions of shareholders. The Company may not guarantee that each and all nominees would be present at the General Meeting and recognizes that certain nominees may be absent for a good reason.

Criterion 3 not complied with.

Until now, when passing resolutions on the preparation and holding of general shareholder meetings, the Board of Directors has not considered the use of telecommunications means to provide shareholders with remote access to general meetings. The Company is planning to consider this possibility in the future provided that reliable advanced technological solutions are developed and implemented to put electronic voting in place.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's internal documents provide for a procedure for approval of transactions recognized as related-party transactions only for relationships covered by the Federal Law On Joint-Stock Companies. The Company's internal documents, however, provide for additional transaction control mechanisms. The Company has in place the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations approved by the Management Committee, which provide for a uniform procedure for avoiding conflicts of interest, and if such a situation arises – for measures to avoid its adverse impact on the process and business performance of LUKOIL Group's entities.

Moreover, the Contracting Rules of the Company provide that the Department for Corporate Security should inform the Company's business units on available information that could prevent the Company from entering into contracts. Such contracts are subject to further analysis.

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
1.3.2	The company shall not perform actions which lead or may lead to artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not participate in voting in the reporting period.
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.	
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.	1. The quality and reliability of the securities register maintained by the company's registrar meet the requirements of the company and its shareholders.
2.1	The board of directors shall carry out the strategic management of the company, establish the basic principles of, and approaches to, setting up a risk management and internal control system in the company, control the activities of the company's executive bodies, and perform other key functions.	
2.1.1	The board of directors shall be responsible for passing resolutions related to appointment and removal of executive bodies, including due to their inadequate performance. The board of directors shall also ensure that the company's executive bodies act in accordance with the approved growth strategy and along the company's core lines of business.	1. The board of directors has the authority stipulated in the charter to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. The board of directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company's strategy.
2.1.2	The board of directors shall define the main long-term targets of the company's operations, assess and approve its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. In the reporting period, the board of directors reviewed at its meetings matters related to the progress in the implementation of the strategy and its updates, approval of the company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the company's strategy and business plans.
2.1.3	The board of directors shall determine the principles of and approaches to organizing a risk management and internal control system in the company.	1. The board of directors has determined the principles of and approaches to organizing a risk management and internal control system in the company. 2. The board of directors assessed the risk management and internal control system in the company during the reporting period.
2.1.4	The board of directors shall define the company's policy on remuneration due to and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies and other key executives of the company.	1. The company has developed and put in place the policy on remuneration and/or reimbursement (compensation) of costs of the members of the board of directors, executive bodies and other key executives, approved by the board of directors. 2. In the reporting period, the board of directors reviewed at its meetings matters related to the said policy (policies).
2.1.5	The board of directors shall play a key role in preventing, identifying and settling internal conflicts between the company's bodies, shareholders and employees.	1. The board of directors plays a key role in preventing, identifying and settling internal conflicts. 2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.
2.1.6	The board of directors shall play a key role in ensuring the company's transparency, the timeliness and completeness of its information disclosures, and unhindered access to the company's documents for shareholders.	1. The board of directors has approved the regulations on information policy. 2. The company has designated the persons responsible for the implementation of the information policy.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

The Company believes that at the time being refusal to participate in the voting using quasi-treasury shares carries a risk for reaching a quorum at the General Shareholders Meeting, which would impede the passing of necessary resolutions (including on dividend payout) and adversely impact corporate governance processes. This might also cause the need to re-convene the general meeting, which would lead to additional expenses for the Company and eventually affect shareholders' income.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

In the reporting year, the Board of Directors postponed the approval of the Strategic Development Program of LUKOIL Group designed for the next ten years due to collapsing global oil prices accompanied by adverse macroeconomic changes and the need to adjust operating plans and capex programs. In the reporting year, however, the Board of Directors considered the following issues:
On Preliminary Results of LUKOIL Group for 2014 and Objectives for 2015 and Onwards. On Determining Priorities of OAO LUKOIL for 2015;
On Preliminary Results of LUKOIL Group for 1H 2015, and Performance of the Group's Budget and Investment Program for 2015;
On Benchmark Targets of the Mid-Term Plan of LUKOIL Group for 2016–2018; and
On Key Performance Indicators of the Mid-Term Plan of LUKOIL Group for 2016–2018.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
2.1.7	The board of directors shall control the company's corporate governance practices and play a key role in its significant corporate events.	1. In the reporting period, the board of directors considered the matter of the company's corporate governance practices.
2.2.	The board of directors shall be accountable to the company's shareholders.	
2.2.1	Performance of the board of directors shall be disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report contains key results of assessment of the BoD's work in the reporting period.
2.2.2	The chairman of the board of directors shall be available to communicate with the company's shareholders.	1. The company has in place a transparent procedure enabling shareholders to forward questions to the chairman of the board of directors and express their respective position.
2.3	The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders.	
2.3.1	Only persons with impeccable business and personal reputation, possessing the knowledge and expertise required to make decisions falling within the authority of the board of directors and to perform its functions efficiently, shall be elected to the board of directors.	1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of professional qualifications of the board members. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.
2.3.2	The company's board of directors shall be elected as per a transparent procedure enabling shareholders to receive information about candidates which is sufficient to get an idea of their personal and professional qualities.	1. Whenever the agenda of the general shareholders meeting included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.
2.3.3	The board of directors shall be balanced, including in terms of qualifications of its members, their experience, knowledge and business qualities, and it shall have the trust of shareholders.	1. As part of assessment of the board of directors carried out in the reporting period, the board of directors analyzed its needs in terms of professional qualifications, experience and business skills.
2.3.4	The number of members on the company's board of directors shall enable the board of directors to organize its activities in the most efficient manner, including the possibility to set up committees of the board of directors, and to enable the company's significant minority shareholders to elect a member of the board of directors for whom they give their votes.	1. As part of the assessment of the board of directors carried out in the reporting period, the board of directors considered whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 2 not fully complied with.

In the reporting period, the HR and Compensation Committee assessed nominees to the Board of Directors for their independence (which, among other things, implies the absence of conflicts of interest).

The Company believes that biographical details of the nominees to the Board of Directors, which were provided to shareholders in the reporting period as part of preparations for the General Meeting, were sufficient proof that the nominees have the required experience and knowledge.

In future, the Board of Directors is planning to assess nominees to the Board of Directors in terms of having the required experience, knowledge, business reputation, and absence of a conflict of interest, to comply with the recommendations of the Code.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

When electing members of the Board of Directors at the General Meeting, the Company provided its shareholders with biographical details of the nominees and information on whether they meet independence criteria and whether they gave their written consent to be elected to the Board of Directors. No information on the assessment of nominees for other criteria was provided as no such assessment had been made for each nominee (see also notes to paragraph 2.3.1).

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
2.4	The board of directors shall include a sufficient number of independent directors.	
2.4.1	An independent director shall be a person of sufficient professionalism, experience and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent from the company's executive bodies, particular groups of shareholders or other stakeholders. It should also be taken into account that in normal conditions a candidate (elected to the board of directors) cannot be considered independent if he/she is related to the company, its significant shareholder or contractor, the company's competitor, or the government.	1. In the reporting period, all independent members of the board of directors met the independence criteria set forth in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.
2.4.2	The compliance of candidates to the board of directors with the criteria for independence shall be assessed, and a regular review of compliance of independent members of the board of directors with such criteria shall be performed. Substance shall prevail over form in such assessments.	<p>1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed its opinion on the independence of each nominee to the board of directors and presented respective opinions to shareholders.</p> <p>2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors listed by the company in its annual report as independent directors.</p> <p>3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.</p>
2.4.3	At least one-third of the total elected number of members of the board of directors shall be constituted by independent directors.	1. At least one-third of the total number of members of the board of directors shall be constituted by independent directors.
2.4.4	Independent directors shall play a key role in preventing internal conflicts in the company and in the performance by the latter of material corporate actions.	1. Independent directors (who do not have a conflict of interest) carry out a preliminary assessment of material corporate actions implying a possible conflict of interest, and the results of such assessment are presented to the board of directors.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 2 not complied with.

In the reporting period, the Board of Directors assessed independence of all nominees to the Board of Directors. The Company did not re-assess directors' independence after they had been elected. In future, the HR and Compensation Committee of the Board of Directors is planning to assess independence of incumbent directors throughout the year so as to meet the Code's recommendations.

Criterion 3 not fully complied with.

At the time being, members of, and nominees to, the Board of Directors are informed that, in the event of changes in information that was relied on when assessing their independence, they should notify thereof the Board of Directors of PJSC "LUKOIL" as soon as possible.

At the annual General Shareholders Meeting in 2016, the Company intends to amend the current Regulations on the Board of Directors of OAO LUKOIL to provide that independent directors of the Board of Directors notify the Board of Directors of occurrence of any circumstances when they cease to be independent, within five business days from the date of occurrence of such circumstances.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

For a part of the reporting year (until the annual General Shareholders Meeting of 2015), the number of directors independent under the requirements of the Code (three directors) constituted less than one third of the Board of Directors as the overall term in office of one of the independent directors elected in 2014 exceeded seven years in late 2014. After the election of a new Board of Directors at the annual General Shareholders Meeting in 2015, the number of directors regarded as independent in line with the requirements of the Code exceeded one third.

The number of directors independent under the independence criteria of the MICEX Listing Rules was above one third throughout 2015.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions.

In the context of the currently ongoing reforms of corporate legislation and the absence of a uniform approach to defining "material corporate actions", the Company believes it premature to make amendments to its internal documents.

In accordance with the Central Bank's report On Proposed Corporate Governance Improvements at Public Joint-Stock Companies, the legislative reforms will continue, inter alia, to improve regulation of acquisition of large shareholdings in public joint-stock companies, related-party and major transactions.

The Company organizes meetings of the President with members of the Board of Directors prior to each scheduled in-person meeting of the Board of Directors, to brief them on ongoing material transactions, negotiations underway, etc., to enable the Board of Directors members to assess their decisions, including in terms of possible conflicts of interest.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
2.5	The chairman of the board of directors shall facilitate the best performance of assigned duties by the board of directors.	
2.5.1	The board of directors shall be chaired by an independent director, or a senior independent director shall be chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors	<ol style="list-style-type: none"> 1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.
2.5.2	The chairman of the board of directors shall maintain a constructive environment at meetings, enable free discussions of agenda items, and supervise the execution of resolutions passed by the board of directors.	<ol style="list-style-type: none"> 1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing the efficiency of the board of directors in the reporting period.
2.5.3	The chairman of the board of directors shall take all steps necessary for the timely provision to members of the board of directors of information required to pass resolutions on agenda items.	<ol style="list-style-type: none"> 1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to members of the board of directors of materials regarding items on the agenda of the board meeting.
2.6	Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.	
2.6.1	Members of the board of directors shall make decisions based on all information available, without conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks.	<ol style="list-style-type: none"> 1. The company's internal documents provide that a member of the board of directors shall notify the board of directors if he/she has a conflict of interest in respect of any issue on the agenda of the board meeting or the board's committee meeting, prior to the discussion of the relevant agenda item. 2. The company's internal documents provide that a member of the board of directors shall abstain from voting on any item in connection with which he/she has a conflict of interest. 3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.
2.6.2	The rights and obligations of members of the board of directors shall be clearly defined and set out in the company's internal documents.	<ol style="list-style-type: none"> 1. The company has adopted and published an internal document clearly defining the rights and obligations of members of the board of directors.
2.6.3	Members of the board of directors shall have sufficient time to perform their duties.	<ol style="list-style-type: none"> 1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period. 2. In accordance with the company's internal documents, members of the board of directors shall inform the board of their intentions to joint management bodies of other organizations (except for entities controlled by, or affiliated to, the company), or of the relevant appointment made.
2.6.4	All members of the board of directors shall have an equal opportunity to access the company's documents and information. Newly elected board members shall be provided with sufficient information about the company and the work of its board of directors as soon as practicable.	<ol style="list-style-type: none"> 1. In accordance with the company's internal documents, members of the board of directors are entitled to have access to documents and make queries regarding the company and entities under its control, and the company's executive bodies must provide relevant information and documents. 2. The company has in place a formalized induction program for newly elected members of the board of directors.

Status of compliance with the corporate governance principle	Justification of deviations from assessment criteria for compliance with the corporate governance principle
<input type="checkbox"/> Complied with <input checked="" type="checkbox"/> Not fully complied with <input type="checkbox"/> Not complied with	<p>Criterion 1 not complied with.</p> <p>In the reporting year, the Chairman of the Board of Directors was a non-executive director, whereas independent directors did not appoint a senior independent director.</p> <p>The Chairman of the Board of Directors was elected unanimously by all directors, recognizing his authority, substantial contribution to the Company's development, professional skills and industry expertise.</p> <p>The Company admits that all directors have equal rights and that independent directors have not appointed a senior independent director.</p>
<input checked="" type="checkbox"/> Complied with <input type="checkbox"/> Not fully complied with <input type="checkbox"/> Not complied with	
<input checked="" type="checkbox"/> Complied with <input type="checkbox"/> Not fully complied with <input type="checkbox"/> Not complied with	
<input type="checkbox"/> Complied with <input type="checkbox"/> Not fully complied with <input checked="" type="checkbox"/> Not complied with	<p>Criteria 1–3 not complied with.</p> <p>Internal documents do not provide for an obligation of a member of the Board of Directors to notify the Board of Directors of a his/her conflict of interest with respect to an agenda item under consideration, or for an obligation to abstain from voting.</p> <p>At the annual General Shareholders Meeting in 2016, the Company intends to amend the current Regulations on the Board of Directors of OAO LUKOIL to provide for relevant obligations of members of the Board of Directors.</p> <p>Regulations on committees of the Board of Directors entitle committees to accept professional services from third-party organizations within the Committee's budget, but the Company's procedure governing the use of such services is not formalized.</p>
<input checked="" type="checkbox"/> Complied with <input type="checkbox"/> Not fully complied with <input type="checkbox"/> Not complied with	
<input type="checkbox"/> Complied with <input checked="" type="checkbox"/> Not fully complied with <input type="checkbox"/> Not complied with	<p>Criterion 2 not fully complied with.</p> <p>Internal documents do not provide for an obligation of members of the Board of Directors to notify the Board of Directors of their intentions to join management bodies of other organizations. Members of the Board of Directors inform the Company's Board of Directors of their membership in management bodies of other organizations by filling out a relevant questionnaire on a regular basis.</p> <p>At the annual General Shareholders Meeting in 2016, the Company intends to amend the current Regulations on the Board of Directors of OAO LUKOIL to provide for the obligation of members of the Board of Directors to notify the Board of Directors of their intentions to join management bodies of other organizations (except for entities controlled by, or affiliated to, the Company), and of their election (appointment) to such governance bodies.</p>
<input type="checkbox"/> Complied with <input checked="" type="checkbox"/> Not fully complied with <input type="checkbox"/> Not complied with	<p>Criterion 2 not complied with.</p> <p>The Company does not have in place any formalized induction program for newly elected members of the Board of Directors.</p> <p>The Company considers it necessary to develop such a program in the short term.</p> <p>The Company currently circulates its key corporate documents to newly elected directors and organizes their meetings with the Company's executives. PJSC "LUKOIL" also organizes on-site meetings of the Board of Directors in the regions where the Company operates, which includes visits by directors of production sites of LUKOIL Group.</p>

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
2.7	Meetings of the board of directors, preparation for such meetings and participation of the members of the board of directors shall ensure efficient performance by the board of directors.	
2.7.1	Meetings of the board of directors shall be held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.
2.7.2	Internal regulations of the company shall provide a procedure for the preparation and holding of the board meetings, enabling members of the board of directors to prepare for such meetings in a proper manner.	1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting shall be given, as a rule, at least five days prior to such meeting.
2.7.3	The format of the meeting of the board of directors shall be determined taking into account the importance of items on the agenda. The most important matters shall be dealt with at meetings of the board of directors held in person.	1. The company's charter or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at in-person meetings of the board of directors.
2.7.4	Resolutions on most important matters relating to the company's operations shall be passed at a meeting of the board of directors by a qualified majority or by a majority of all elected board members.	1. The company's charter provides for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

The Board of Directors is committed to bringing up the most essential matters at in-person meetings, if that does not go against the action plan approved by the Board of Directors or delay resolutions ensuring seamless financial and business activities of the Company.

In the reporting year, matters set out in sub-paragraphs 1 to 5, 14, 16, and 18 of Recommendation 168 of the Code were considered at in-person meetings of the Board of Directors.

In the reporting year, the matter specified in sub-paragraph 9 of Recommendation 168 of the Code (as regards amending the terms and conditions of the agreement with the registrar) was considered twice – at one in-person and at one in-absentia meeting of the Board of Directors.

In the reporting year, there was no need for the Board of Directors to consider the matters set out in sub-paragraphs 6, 7, 10, 12, 13, 15, and 19 of Recommendation 168 of the Code.

Matters set out in sub-paragraphs 8 and 17 of Recommendation 168 of the Code were considered at the Board of Directors' meetings held in absentia.

The matter set out in sub-paragraph 14 of Recommendation 168 of the Code per se was not considered by the Board of Directors; the Board, however, discussed preliminary results of LUKOIL Group for 2014 and 1H 2015, as well as the performance of LUKOIL Group's budget and Investment Program for 2015, at in-person meetings of the Board of Directors.

Matters set out in sub-paragraph 11 of Recommendation 168 of the Code are referred by the Charter of PJSC "LUKOIL" to the jurisdiction of the Management Committee of PJSC "LUKOIL".

At the annual General Shareholders Meeting in 2016, the Company intends to amend the current Regulations on the Board of Directors of OAO LUKOIL to provide for consideration of the majority of the most important matters from the list set out in Recommendation 168 of the Code only at in-person meetings of the Board of Directors.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's charter provides for resolutions on certain material matters within the scope of authority of the Board of Directors (such as an increase in the charter capital, or public offering by the Company of its bonds or other issue-grade securities) to be passed unanimously by all members of the Board of Directors.

As of now, the Company does not deem it necessary to make amendments to the Company's Charter to fully comply with the said Code recommendation.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
2.8	The board of directors shall set up committees for preliminary consideration of the most important issues related to the business of the company.	preliminary consideration of the most important issues
2.8.1	To preview matters related to controlling the company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	<ol style="list-style-type: none"> 1. The board of directors has set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements. 4. Meetings of the audit committee were held at least once a quarter during the reporting period.
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee shall be set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<ol style="list-style-type: none"> 1. The board of directors has set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is headed by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments and HR) committee shall be set up, predominantly comprised of independent directors.	<ol style="list-style-type: none"> 1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is fully in line with company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	1. In the reporting period, the board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

As at the end of the reporting year, the Audit Committee included one director fully compliant with the independence criteria of the Code (Chairman of the Committee); one director who was not fully compliant with the independence criteria of the Code, but was fully compliant with the independence criteria of the MICEX Listing Rules; and one non-executive director.

The Board of Directors aims to maximize involvement of independent directors in the activities of the Board's committees. However, the ratio between the number of independent directors (nominated and elected by the Company's shareholders) and the strength of committees provided for in the Company's internal documents, which notably exceeded the number of independent directors in the reporting year, is seen as a natural limit. The Company also believes that membership of independent directors in several committees at a time results in higher pressure on independent directors while removing non-executive directors from activities of committees, and might prevent such independent directors from concentrating on matters considered by the relevant committee. When establishing committees, the Board of Directors also takes into account (along with the independence criterion) the personal professional expertise and track record of the director and his/her preference for a certain Committee, which would enhance his/her performance in the work of the Committee.

Criterion 2 not fully complied with.

In the reporting year, the tasks of the Audit Committee set out in the Company's internal documents did not fully meet Recommendation 172 of the Code.

In January 2016, the Company approved a new version of the Regulations on the Audit Committee of the Board of Directors of PJSC "LUKOIL" that specifies the tasks of this Committee compliant with Recommendation 172 of the Code.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company combines functions of the remuneration committee and the nomination committee within the Human Resources and Compensation Committee of the Board of Directors.

As at the end of the reporting year, the HR and Compensation Committee of the Board of Directors included one director fully compliant with the independence criteria of the Code (being the Chairman of the Committee while not being the Chairman of the Board of Directors) and two non-executive directors. For more details on this non-compliance with the Code's recommendations, see note to sub-paragraph 2.8.1.

Criterion 3 not fully complied with.

In the reporting year, the tasks of the HR and Compensation Committee set out in the Company's internal documents did not fully meet Recommendations 180 and 186 of the Code.

In 2016, the Board of Directors is planning to put into effect a new version of the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC "LUKOIL" which will take into account the Code's recommendations to a greater extent.

- Complied with
- Not fully complied with
- Not complied with

Criteria 1 and 2 not fully complied with.

The Company combines functions of the remuneration committee and the nomination committee within the Human Resources and Compensation Committee of the Board of Directors.

See notes to paragraphs 2.8.1 and 2.8.2.

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
2.8.5	Committees shall be composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	<ol style="list-style-type: none"> 1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.
2.8.6	Committee chairmen shall inform the board of directors and its chairman on the work of their committees on a regular basis.	<ol style="list-style-type: none"> 1. During the reporting period, committee chairmen reported to the board of directors on the work of committees on a regular basis.
2.9	The board of directors shall ensure performance assessment of the board of directors, its committees and members of the board of directors.	
2.9.1	The board of directors' performance assessment shall be aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's development requirements, as well as bolstering the work of the board of directors and identifying areas for improvement.	<ol style="list-style-type: none"> 1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors and the board of directors in general. 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board.
2.9.2	Performance of the board of directors, its committees, and members shall be assessed regularly at least once a year. An external advisor shall be engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	<ol style="list-style-type: none"> 1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.
3.1	The company's corporate secretary shall ensure efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests and support the activities of the board of directors.	
3.1.1	The corporate secretary shall have the knowledge, experience and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	<ol style="list-style-type: none"> 1. The company has adopted and published an internal document – regulations on the corporate secretary. 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.
3.1.2	The corporate secretary shall be sufficiently independent of the company's executive bodies and have the powers and resources required to perform his/her tasks.	<ol style="list-style-type: none"> 1. The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The self-assessment of the Board of Directors' performance carried out in the reporting period included the assessment of performance by committees and the Board of Directors in general, but did not include assessment of individual members of the Board of Directors (except for assessment of performance of the Board of Directors' Chairman).

As of now, the Company does not deem it necessary to introduce a procedure for assessment of individual directors. The incumbent members of the Board of Directors of PJSC "LUKOIL" are unique in terms of their experience, reputation, and involvement in other activities; they are representatives of business culture of different countries; therefore, it is hard to formalize the procedure of their individual assessment.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

For the last three years, the Company did not engage an external entity to conduct an independent assessment of the Board of Directors' performance since such procedure would require additional time of the members and the Secretary of the Board of Directors, disclosure of documents to such external entities, some of which might be confidential, and would also involve additional financial expenses on the part of the Company. At the same time, the internal procedure for assessment of the Board of Directors' performance applied in the Company has been developed with the help of an internationally recognized independent advisor.

- Complied with
- Not fully complied with
- Not complied with

Criteria 1 and 2 not complied with.

These recommendations were not met in the reporting year.

On 14 December 2015, the extraordinary General Shareholders Meeting of PJSC "LUKOIL" entered Amendments and Addenda to the Charter of PJSC "LUKOIL" vesting with the Company's Board of Directors the authority to make decisions on appointment and dismissal of the Corporate Secretary of the Company, and approve of the Regulations on the Corporate Secretary, which puts in place the necessary pre-requisites for achieving greater compliance with the recommendations of the Code in 2016.

In line with the resolution previously passed by the Board of Directors, the corporate secretary's functions were assigned to the Secretary of the Board of Directors.

The Secretary of the Board of Directors is appointed annually by the resolution of the Board of Directors for a term of office equal to that of the Board of Directors.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

In line with the resolution previously passed by the Board of Directors, the corporate secretary's functions were assigned to the Secretary of the Board of Directors.

The Secretary of the Board of Directors is appointed annually by the resolution of the Board of Directors for a term of office equal to that of the Board of Directors.

The authority of the Board of Directors to approve appointment, dismissal, and additional remuneration of the Company's Corporate Secretary was set out in the Charter by resolution of the extraordinary General Shareholders Meeting of 14 December 2015. The Board of Directors is expected to make relevant decisions in 2016.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
4.1	Remuneration payable by the company shall be sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to the members of the board of directors, executive bodies and other key executive officers of the company shall be in compliance with the approved remuneration policy of the company.	
4.1.1	The amount of remuneration paid by the company to members of the board of directors, executive bodies and other key executives shall create sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company shall avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	1. The company has in place an internal document (internal documents) – the policy (policies) on remuneration of members of the board of directors, executive bodies and other key executives, which clearly defines (define) the approaches to remuneration of the above persons.
4.1.2	The company's remuneration policy shall be devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, shall ensure control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. During one reporting period, the remuneration committee considered the remuneration policy (policies) and the practical aspects of its (their) introduction and presented relevant recommendation to the board of directors as required.
4.1.3	The company's remuneration policy shall include transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulate all types of expenses, benefits and privileges provided to such persons.	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the company, and regulates (regulate) all types of expenses, benefits and privileges provided to such persons.
4.1.4	The company shall define a policy on reimbursement (compensation) of costs detailing a list of reimbursable expenses and specifying service levels that members of the board of directors, executive bodies and other key executives of the company can claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursement of costs incurred by members of the board of directors, executive bodies and other key executives of the company.
4.2	Remuneration system of members of the board of directors shall ensure alignment of financial interests of the directors with long term financial interests of the shareholders.	
4.2.1	The company shall pay fixed annual remuneration to members of the board of directors. The company shall not pay remuneration for attending particular meetings of the board of directors or its committees. The company shall not apply any form of short-term motivation or additional financial incentive for members of the board of directors.	1. Fixed annual remuneration was the only form of monetary remuneration payable to members of the board of directors for their service on the board of directors during the reporting period.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

In accordance with the resolution of the Company's General Shareholders Meeting, all members of the Board of Directors are paid fixed annual remuneration for performing their duties as directors. The Chairman of the Board of Directors is paid fixed annual remuneration for performing his functions as Chairman of the Board of Directors, and chairmen of committees are paid fixed annual remuneration for performing their functions as committee chairmen.

Members of the Board of Directors are also paid fixed additional remuneration for in-person participation in meetings of a committee of the Board of Directors and for in-person participation in meetings of the Board of Directors or a committee of the Board of Directors involving a transcontinental flight, and fixed additional remuneration for participation in conferences and other events on written instruction by the Chairman of the Board of Directors. The specific amount of additional remuneration payable is calculated as at the date of the General Shareholders Meeting on the basis of actual attendance of meetings and conferences (and other events) by members of the Board of Directors. The Company believes that these remunerations are a fair compensation for additional time and arrangement costs of directors given that some of them are not Russian residents and may need a transcontinental flight to participate in such events.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
4.2.2	Long-term ownership of the company's shares shall help align the financial interests of members of the board of directors with long-term interests of shareholders to the utmost. At the same time, the company shall not link the right to dispose of shares to performance targets, and members of the board of directors shall not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.
4.2.3	The company shall not provide for any extra payments or compensations in the event of early termination of office of members of the board of directors resulting from the change of control or any other reasons whatsoever.	1. The company shall not provide for any extra payments or compensations in the event of early termination of office of members of the board of directors resulting from the change of control or any other reasons whatsoever.
4.3	The company shall consider its performance and the personal contribution of each executive to the achievement of such performance, when determining the amount of a fee payable to members of the executive bodies and other key executive officers of the company.	
4.3.1	Remuneration due to members of executive bodies and other key executives of the company shall be determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	<ol style="list-style-type: none"> 1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company. 2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration. 3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies and other key executives of the company.
4.3.2	The company shall put in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	<ol style="list-style-type: none"> 1. The company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company's shares (financial instruments based on the company's shares). 2. The long-term incentive program for members of executive bodies and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this program shall take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.	1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.
5.1	The company shall put in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.	
5.1.1	The company's board of directors shall determine the principles of and approaches to organizing a risk management and internal control system at the company.	1. Functions of different management bodies and units of the company in the risk management system and internal control are clearly defined in the company's internal documents / relevant policy approved by the board of directors.
5.1.2	The company's executive bodies shall ensure establishment and continuous operation of an efficient risk management and internal control system in the company.	1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control between the heads (managers) of units and departments accountable to them.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Note.
Internal documents of PJSC "LUKOIL" do not provide for provision of shares to members of the Board of Directors.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 3 not complied with.

The Company does not have in place a procedure that guarantees return to the Company of bonus payments illegally received by members of executive bodies and other key executives of the Company since the Company has a clear framework of bonus payments to members of executive bodies and other executives.

- Complied with
- Not fully complied with
- Not complied with

Criterion 2 not complied with.

The terms of the current Long-Term Incentive Plan for Employees of OAO LUKOIL and its Subsidiaries for 2013–2017 approved by the Company's Board of Directors do not provide that the right to dispose of shares used in the plan should take effect at least three years after such shares are granted. The Company believes, however, that the long-term (five-year) incentive plan currently in effect sufficiently supports the interest of the plan members in achieving long-terms goals and sustainable development of the Company, creating incentives for improving corporate governance in the Company and its subsidiaries, which will drive profit, increase their capitalization and boost their investment case.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear representation of the current state of the company and its future prospects, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	<ol style="list-style-type: none"> 1. The company has in place the anti-corruption policy. 2. The company has arranged for accessible means of notifying the board of directors or the board's audit committee about violations of the law, the company's internal procedures and code of ethics.
5.1.4	The company's board of directors shall take necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setting up determined by the board of directors, and that the system is functioning efficiently.	<ol style="list-style-type: none"> 1. In the reporting period, the board of directors or the board's audit committee assessed the efficiency of the company's risk management and internal control system. The information on the key results of this assessment is included in the company's annual report.
5.2	The company shall perform internal audit for the regular independent assessment of the reliability and effectiveness of the risk management and internal control systems and corporate governance.	
5.2.1	The company shall set up a separate business unit or engage an independent external organization to carry out internal audits. The functional and administrative subordination of the internal audit unit shall be separated. The internal audit unit shall functionally report to the board of directors.	<ol style="list-style-type: none"> 1. To perform internal audits, the company has set up a separate internal audit unit functionally reporting to the board of directors or the audit committee, or engaged an independent external organization under the same principle of subordination.
5.2.2	The internal audit division shall assess the performance of the internal control, risk management, and corporate governance systems. The company shall apply generally accepted standards of internal audit.	<ol style="list-style-type: none"> 1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal audit and risk management.
6.1	The company and its business shall be transparent for shareholders, investors, and other related parties.	
6.1.1	The company shall develop and adopt an information policy ensuring an efficient exchange of information between the company, its shareholders, investors, and other related parties.	<ol style="list-style-type: none"> 1. The company's board of directors has approved the information policy developed on the basis of the Code's recommendations. 2. The board of directors (or one of its committees) considered the matters related to the company's compliance with its information policy at least once in the reporting period.
6.1.2	The company shall disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<ol style="list-style-type: none"> 1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, in particular, on the corporate website. 2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership in the board's committees (as defined in the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out the latter's plans for the company's corporate governance.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not complied with.

The Company has put into effect the Code of Business Conduct and Ethics of Open Joint Stock Company "Oil Company 'LUKOIL'". This document is a compilation of standards and rules for individual and collective behaviour and contains, among other things, standards and rules for anti-corruption relations with business partners, government authorities and public organizations and standards preventing conflicts of interests.

The Company also has in place the Regulations on LUKOIL Group Entities and Their Employees in Conflict of Interest Situations approved by the Company's Management Committee.

The Company, however, has no internal document in place that would focus exclusively on anti-corruption, and the Company does not believe it necessary to adopt such a document in the short term as it would substantially overlap with the above documents.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

Before December 2015, the Company had in place the Control and Internal Audit Service that functionally and administratively reported to the Company's President.

Since December 2015, after making relevant amendments to the Charter, the Company put in place an Internal Audit Service led by Vice-President, Head of the Internal Audit Service, reporting to the Company's Board of Directors, with his appointment and dismissal referred to the jurisdiction of the Board of Directors. The resolution on appointment of the head of the Internal Audit Service was passed by the Board of Directors in early January 2016.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 2 not complied with.

In the reporting year, the Board of Directors did not consider matters related to the Company's compliance with its information policy.

All matters related to the Company's compliance with its information policy shall be put for consideration of the Board of Directors as necessary. In particular, the Company intends to amend its effective Regulations on Information Policy in the short term.

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
6.2	The company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.	
6.2.1	The company shall disclose information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data.	<ol style="list-style-type: none"> 1. The company' information policy defines the approaches to, and criteria of, identification of information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information. 2. If the company's securities are traded on foreign regulated markets, the company shall ensure concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period. 3. If foreign shareholders hold a significant amount of the company's shares, during the reporting year, information was disclosed not only in the Russian language, but also in one of the most widespread foreign languages.
6.2.2	The company shall strive to avoid a formalistic approach to information disclosure, and to disclose critical information about its operations even if such disclosure is not required by law.	<ol style="list-style-type: none"> 1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period contains annual financial statements prepared under the IFRS, along with the auditor's report. 2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the official website of the company.
6.2.3	The annual report, as one of the most important tools of information exchange with shareholders and other stakeholders, shall contain information enabling assessment of the company's performance in the reporting year.	<ol style="list-style-type: none"> 1. The company's annual report contains information on the key aspects of the company's operations and its financial results. 2. The company's annual report contains information on the environmental and social aspects of the company's operations.
6.3	The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.	
6.3.1	The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.	<ol style="list-style-type: none"> 1. The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.
6.3.2	When providing information to shareholders, the company shall ensure reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.	<ol style="list-style-type: none"> 1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified. 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

In the reporting period, the Company disclosed its annual and six-month financial statements made under the US GAAP on a quarterly basis, as under Part 2 of Article 8 of the Federal Law On Consolidated Financial Statements the Company is required to prepare IFRS consolidated financial statements not earlier than starting from the reporting for 2015.

In April 2016, the Company disclosed its annual consolidated financial statements for 2015, prepared under IFRS.

Criterion 2 not fully complied with.

The Company's executive bodies did not make any special statements claiming no information available to the Company about equity interests of over 5% apart from those already disclosed by the Company (no such information was actually available) as the Code's recommendations and effective laws have no explicit indications as to when and in what form such statements should be made.

- Complied with
- Not fully complied with
- Not complied with

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's information policy establishes the procedure for providing shareholders with easy access to information and documents where shareholders are entitled to receive such information.

When providing information requested by shareholders, the Company is guided by Article 91 of the Federal Law On Joint-Stock Companies that provides for no obligation of the Company to provide shareholders with information on legal entities controlled by it.

The Company discloses information on legal entities controlled by it in the List of Affiliates and more detailed information on controlled legal entities material to the Company in quarterly issuer reports.

- Complied with
- Not fully complied with
- Not complied with

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
7.1	Actions that significantly impact or may significantly impact the share capital structure or financial condition of the company and, respectively, shareholders position (material corporate actions) shall be fairly executed providing observance of rights and interests of shareholders and other stakeholders.	
7.1.1	Material corporate actions shall include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or decrease of the company's charter capital, listing or de-listing of the company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The charter of the company shall provide a list of transactions, or other actions classified as material corporate actions pertaining to the competence of the board of directors of the company.	<ol style="list-style-type: none"> 1. The company's charter includes a list of transactions or other actions deemed to be material corporate actions, and criteria for their identification. Decisions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general shareholders meeting, the board of directors presents relevant recommendations to shareholders. 2. Under the charter, material corporate actions include at least: company reorganization, acquisition of 30% or more of the company's voting shares (in case of takeover), entering in significant transactions, increase or decrease of the company's charter capital, listing or de-listing of the company's shares.
7.1.2	The board of directors shall play a key role in making decisions or working out recommendations regarding material corporate actions, relying on the opinions of the company's independent directors.	<ol style="list-style-type: none"> 1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.
7.1.3	When taking material corporate actions affecting the rights and lawful interests of shareholders, equal terms and conditions shall be ensured for all shareholders of the company, and, in case of insufficient statutory mechanisms for protecting shareholder rights, additional measures shall be taken to protect the rights and lawful interests of the company's shareholders. In doing so, the company shall be guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	<ol style="list-style-type: none"> 1. Taking into account the specifics of the company's operations, the company's charter establishes lower minimum criteria for the company's transactions to be deemed material corporate actions than those provided by law. 2. In the reporting period, all material corporate actions were subject to the approval procedure prior to execution.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.
Criterion 2 not complied with.

The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

The decision-making procedure (procedure for referring such decisions to the competence of the Board of Directors or the General Shareholders Meeting under the Charter or relevant laws) recommended by the Code is met with respect to most corporate actions that are deemed by the Company to be material corporate actions.

Following the established practices, when addressing the matter of preparing for and holding the General Shareholders Meeting of the Company, the Board of Directors approves recommendations for shareholders for voting on all agenda items, including those which may be regarded as material corporate actions. There are inconsistencies with the Code's recommendations with respect to transactions that the Code recommends considering as material and that are specified in Recommendation 307 of the Code.

Due to the large number of the Company's subsidiaries, coordination of their operations, including preliminary approval of resolutions of the Company's subsidiaries related to their participation in other entities, and decisions to terminate the Company's participation in other entities are referred by the Charter to the jurisdiction of the Management Committee.

Decisions to acquire subsoil licenses which may involve capex in the amount exceeding an amount in rubles equivalent to \$150 million, and decisions to approve material transactions by the Company's subsidiaries shall be made by the Management Committee.

The Company also notes that the term "controlled legal entity material to the company" is used in the applicable Russian laws only for disclosure purposes; therefore, until this term is consolidated in the corporate law, the Company's Charter cannot refer this matter to the jurisdiction of the Board of Directors.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

In accordance with procedures provided for by the Regulations on the Board of Directors of PJSC "LUKOIL", all members of the Board of Directors may participate in debates, put forward proposals, make comments, and speak on the substance of the matter under discussion.

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

Under the Company's Charter, the authority of the Board of Directors covers approval of a transaction or several associated transactions associated with acquisition, disposal or potential disposal of property worth from 10% to 25% of the book value of the Company's assets, which exceeds the statutory requirements.

N	Corporate governance principles	Assessment criteria for compliance with the corporate governance principle
7.2	The company shall execute material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.	
7.2.1	Information about material corporate actions shall be disclosed with explanations of the grounds, circumstances and consequences.	1. In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.
7.2.2	Rules and procedures related to material corporate actions taken by the company shall be set out in the company's internal documents.	<ol style="list-style-type: none"> 1. The company's internal documents provide for the procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or a related-party transaction. 2. The company's internal documents provide for the procedure for engaging an independent appraiser to assess the value of the company's shares at their repurchase or redemption. 3. The company's internal documents provide for an expanded list of grounds on which members of the company's board of directors as well as other persons as per the applicable law are deemed to be related parties to the company's transactions.

Status of compliance with the corporate governance principle

Justification of deviations from assessment criteria for compliance with the corporate governance principle

- Complied with
- Not fully complied with
- Not complied with

Criterion 1 not fully complied with.

The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4).

In the reporting period, there were no such actions as reorganization of PJSC "LUKOIL"; acquisition of 30 or more percent of voting shares in PJSC "LUKOIL"; increase or decrease in the charter capital; listing or delisting of shares in PJSC "LUKOIL"; or other actions that could lead to material changes in the rights of shareholders or violation of their interests.

The Company timely disclosed information on PJSC "LUKOIL" transactions worth ten or more percent of the book value of its assets in line with the Regulations on Information Disclosure by Issue-Grade Securities Issuers.

- Complied with
- Not fully complied with
- Not complied with

Criterion 3 not complied with.

The Company's internal documents do not provide for an expanded list of grounds on which members of the Company's Board of Directors as well as other persons as per the applicable law are deemed to be related parties to the Company's transactions.

Due to the corporate legislation reform currently ongoing in the Russian Federation (see also note to paragraph 2.4.4), which covers, inter alia, the procedure for approving related-party transactions, the Company believes it premature to formalize the expanded list of grounds in its internal documents that may require adjustment due to further legislative changes.

Risks

Macroeconomic risks

Risk description	Risk management
Macroeconomic changes, such as: global economy slowdown in 2015, decline in global hydrocarbon prices, lower refining margins, FX fluctuations, higher interest rates and taxes, and inflation may have an adverse impact on the Company's financials and ability to implement its capex plan.	The Company uses a scenario approach to macroeconomic forecasting, which provides for a comprehensive analysis of macroeconomic risks and their effect on the Company's performance. This approach helps identify the assets and investment projects with the highest sensitivity to macroeconomic changes and make management decisions, including those aimed at optimizing the Company's investment project portfolio.

Country risks

Risk description	Risk management
A majority of the Company's assets are located within Russia, where political risks are assessed as moderate. However, PJSC "LUKOIL" also operates in a number of countries with high political and economic risks, which may seriously affect its operations or even cause them to be discontinued (those include Iraq, Egypt, Uzbekistan, and West Africa, where political risks are assessed as high).	The Company seeks to expand its footprint, implementing projects in Europe and the US, where political and country risks are viewed as minimal, alongside with its operations in unstable regions.

Industry risks

Risks related to well construction and development of fields with hard-to-recover hydrocarbon reserves

Risk description	Risk management
The ban on the imports of equipment and materials currently used in well construction is important for the Company, which purchases most of its equipment and materials from Western partners.	The bulk of reagents required to prepare and condition drilling mud and grouting mixture and currently sourced from the EU and US in small batches may be substituted by products from China, Thailand, Russia, and Belarus. Chemical products currently sourced from the EU and US are low-tonnage purchases. According to the Company's well construction service partners, at present the Company has a one-year stock of spare parts, equipment and materials to be used for its projects. Due to the sanctions imposed against Russia there is a risk of constraints arising as hard-to-recover-hydrocarbon fields are developed with application of the multi-zone hydro-fracturing (MZHF) technique. The equipment for MZHF used today as part of the Company's projects is unparalleled by any Russian or Chinese enterprises.

Risks of tariff and vendor price hikes

Risk description	Risk management
<p>The Company's tariff risks are associated with JSCo RZD and other monopolies operating across the Company's geography. Their prices are revised upwards on a regular basis.</p> <p>Logistic costs driven up by higher output immediately impact the Company's profit.</p> <p>PJSC "LUKOIL" is also exposed to the risk of higher prices for other services, such as vehicle transportation, customs brokerage, warehousing, etc.</p>	<p>Measures to minimize risks of higher tariffs from JSCo RZD and similar monopolies include:</p> <ul style="list-style-type: none"> • diversifying transportation channels; • developing in-house logistic infrastructure; • cooperating with other consumers to prevent accelerated tariff growth; • using tender procedures to enter into long-term contracts with vendors.

Risk of a limited access to petroleum product transshipment infrastructure

Risk description	Risk management
<p>These risks depend on the overall utilization rates of terminals, changes in terminal ownership and political landscape, and weather conditions.</p>	<p>PJSC "LUKOIL" invests considerable effort in mitigating the above risks by:</p> <ul style="list-style-type: none"> • entering into long-term transshipment agreements; • diversifying petroleum product export destinations; • increasing shipments to its terminals; • ramping up in-house terminal capacities.

Financial risks

Price risks

Risk description	Risk management
<p>Fluctuations in hydrocarbon prices may have a significant impact on the Company's financials and its securities value. In the short run, oil prices are expected to remain highly volatile due to global economy growth uncertainty, changes in oil supplies and in the global supply/demand ratio, as well as the growing pressure of geopolitical tensions.</p>	<p>The issuer is a vertically integrated company (VIC) that combines production, refining and distribution assets. This structure serves as a natural hedging mechanism, where different risk factors cancel each other out.</p> <p>The Company's strategic development programs factor in several price scenarios, while its investment project portfolio is managed depending on the price sensitivity of respective projects.</p> <p>A commodity supply management system has been implemented which makes it possible to promptly respond to market changes and conduct arbitrary shipments.</p> <p>In its trading activities, the Company uses hedging operations which help significantly reduce the negative impact of the price fluctuations on oil and petroleum product markets as part of the Group operations.</p>

Liquidity risks

Risk description	Risk management
High volatility of oil prices, exchange rates of foreign currencies to the US dollar, refining margin, petrochemistry and power generation margin, growth of tariffs and suppliers' prices, as well as possible economic sanctions against Russia may create an imbalance in the figures included into the plans, budgets and investment programs of LUKOIL Group, thus leading to the shortage of liquidity and financing sources.	This risk is managed through sensitivity assessment of the performance figures included in the plans, budgets and investment programs to the changes in macroeconomic indicators. The Company also develops proposals on plan adjustments, possible sequestering of expenses associated with the transition to the stress scenario, shifting of due dates and project implementation dates or inclusion of optional projects in the plan in case of improvements in the macroeconomic situation, as well as the proposals to ensure timely financing of business activities. Much attention is paid to cost minimization by means of tender procedures.

FX risks

Risk description	Risk management
The fact that the Company's assets are mainly concentrated in the RF makes its financials dependent on the ruble to US dollar exchange rate. The Company's proceeds are mainly formed by US dollar proceeds from oil and petroleum product sales, while the majority of operating and capital expenses are denominated in rubles. The Company has to sell foreign currency to finance ruble-denominated expenses. When the ruble appreciates, in order to finance ruble-denominated expenses the Company needs to sell an extra amount of its foreign currency proceeds, which will have an adverse effect on the Company's net profit in rubles.	In order to mitigate the adverse impact of the changes in the currency exchange rates the Company takes advantage of its geographic diversification. The Company also applies hedging instruments to its currency proceeds.

Counterparty default and non-payment risk

Risk description	Risk management
The risk means delayed payments for products supplied by the Company. In terms of exports, delayed payments and/or underpayments may require the Company to raise additional funding to be able to meet its financial obligations.	To mitigate these risks, the Company has contracts with third parties (non-Group entities) that provide for pre-payment terms or letters of credit or bank guarantees from end customers. Banks that can issue letters of credit and guarantees are subject to PJSC "LUKOIL" corporate center approval.

Legal risks

Tax and customs regulation risks

Risk description	Risk management
<p>Changes in tax and customs regulation initiated by the Russian government primarily depend on the current state of the national budget system and domestic market regulation policy. The financial performance of the Group and its entities may be adversely affected by a heavier tax burden, unexpected revisions of tax rates and duties, and cancellation of preferential customs duties applied to a number of LUKOIL Group's fields.</p> <p>In the wake of significant RUB/USD rate fluctuations over the last months and continued ruble weakening, PJSC "LUKOIL" may be forced to pay additional duties when filing a periodic customs declaration for exported energy carriers beyond the established amounts (excluding pipeline supplies).</p> <p>At the same time, in accordance with the Russian Law On Customs Tariff the Government of the Russian Federation reviews export customs duties for oil and petroleum products on a monthly basis. Customs duties are calculated based on oil prices on global petroleum feedstock markets and, therefore, falling oil prices are followed by reduced duty rates, although taking effect from the next calendar month.</p> <p>High ruble-rate volatility continues to bear significant risks and uncertainty in terms of amounts of export duties paid in rubles.</p>	<p>To manage these risks, LUKOIL Group participates in discussing legislative initiatives, timely assesses the impact of prospective changes in tax and customs laws on its performance, and takes steps to minimise or offset negative consequences of changes in the tax regulation, for example, if possible, to be able to submit customs declarations while the RUB/USD exchange rate is growing.</p>

Risks related to amended legislation on joint-stock companies and securities market

Risk description	Risk management
<p>Amendments to laws and regulations of the Russian Federation aimed at improving corporate governance, in particular, concerning the ban on voting with quasi-treasury shares, requirements to disclose transactions of Group entities, as well as transition to the Corporate Governance Code implementation as recommended by the Bank of Russia in its Letter No. 06-52/2463 of 10 April 2014, may lead to changes in the Company's structure and corporate governance, with a potential adverse impact on its decision-making processes and performance.</p>	<p>The Company closely monitors the respective legislative changes and takes part in preliminary discussions of proposed changes among industry players to clarify PJSC "LUKOIL" views of the risks and uncertainties arising out of the said changes.</p> <p>Efforts are underway to make sure that the Company's representatives are involved in activities aimed at developing effective ways of applying the new corporate governance and tax rules.</p>

Securities trading risks

Risk description	Risk management
<p>The Company's securities are traded on regulated markets in Russia and abroad. Changes to the issuer requirements and listing structure brought in by regulatory authorities and stock exchanges may require the Company to modify its corporate governance framework and assume additional obligations with respect to disclosure and shareholder relations. If the Company fails to comply with these requirements and meet the respective obligations in due time, this may lead to the Company's securities transferred to lower listing segments or to be delisted, which could adversely affect the liquidity and value of such securities.</p>	<p>PJSC "LUKOIL" keeps track of the changes in listing rules and other stock exchange and regulatory requirements to issuers of traded securities. The Company's representatives participate in workshops and other events for issuers organized by stock exchanges and other organizations that provide consulting and awareness raising services to issuers of securities traded on regulated markets. PJSC "LUKOIL" also strives to adhere to international best practices of corporate governance and shareholder relations.</p>

Geological risks

Risk of reserves non-discovery or discovery below the expected level

Risk description	Risk management
Another type of risk borne by the Company is related to non-discovery of productive oil and gas reserves or lower than expected levels of such reserves discovered during prospecting drilling or implementing new projects. This may lead the Company to incur additional costs or discontinue operations at some of its license blocks.	PJSC "LUKOIL" manages this risk at a sufficient level to be able to timely respond to this risk, through conducting additional exploration activities.

Subsoil use and licensing risks

Risk description	Risk management
<p>Oil producers face certain risks associated with the Russian legislation on subsoil use, exploration and mining. The key risks include:</p> <ul style="list-style-type: none"> • early termination of subsoil use rights; • no equal access to offshore resources; • no legislative guarantees of subsoil use rights being granted to the company that has discovered a subsoil deposit of federal significance or a field within subsoil areas of federal significance (the Russian continental shelf, Russian inland and territorial seas, Russian sector of the Caspian Sea shelf), including subsoil users with foreign capital; • non-acceptance of tender/auction application documents filed by LUKOIL Group's entities on formal grounds; • administrative fines due to breach of license agreements; • extensive time needed to coordinate and approve design documentation and cost estimates related to constructing exploration wells. 	<p>To minimize the adverse impact of the said risks, the Company:</p> <ul style="list-style-type: none"> • monitors changes in legislation on subsoil use and licensing and makes proposals on updating the existing legal framework; • drafts a list of sites which are included in the unallocated subsoil reserve fund and are of interest to the LUKOIL Group or its entities to ensure timely decision-making with respect to tender/auction participation; • has permanent work groups in place responsible for preparing tender/auction applications and license renewal documents across the Group's entities; • conducts annual professional development training sessions for licensing and subsoil use experts; • monitors subsoil use by means of a dedicated information system; • liaises with regulatory authorities to mitigate the risk of early termination of subsoil use rights.

Risk of terrorist acts and and unlawful acts of third parties

Risk description	Risk management
<p>Given the growing number of terrorist organizations and escalating terrorist activity in the regions of Group's presence, there is a probability of terrorist and other criminal acts against the Group's assets. The Company is also exposed to the risk of unlawful acts from competitors (including unfair competition risks), financial or other abuse by LUKOIL Group's employees and embezzlement or theft of moneys and tangible assets.</p>	<p>To manage these risks, the Company:</p> <ul style="list-style-type: none"> • participates in the counter-terrorism events organized by the National Anti-Terrorism Committee, Federal Security Service, and the Ministry of Internal Affairs of the Russian Federation; • implements adequate security systems across its facilities; • identifies employees who intentionally damage the Company's interests in favour of its competitors and other third parties (including criminal organizations); • cooperates with the Ministry of Internal Affairs of the Russian Federation to prevent production and distribution of counterfeit products with LUKOIL's trademark; • plans and conducts information security enhancing events; • acquires licenses from the Federal Security Service to use information encryption tools.

Environmental and industrial safety risks

Risk description

The Company's hazardous production facilities are exposed to the risk of equipment failures, which may cause process disruptions, hazardous releases, environmental damage, fires, and accidents, including those occurring in the development of offshore oil and gas offshore fields. This risk may result in unscheduled idle time at the Company's production facilities, with a subsequent reduction in operating income.

Risk management

To minimize these risks, the Company has put in place an effective industrial safety system, enabling it to monitor technological equipment and implement preventive measures. PJSC "LUKOIL" industrial safety system has ISO 14001 and OHSAS 18001 compliance certificates.

Risk of the investment program non-delivery

Risk description

When implementing its investment projects, the Company is exposed to the risk of delayed commissioning of production facilities and higher costs. Project delays related, inter alia, to preparing design documentation and cost estimates, obtaining permits, entering into contracts, agreeing on deadlines and changing field development roadmaps based on the new geological data may cause the Company to be unable to implement its investment program, with a potentially deteriorating operating and investment project performance in the coming years and excessive fund raising.

Risk management

PJSC "LUKOIL" pays considerable attention to managing this risk by monitoring project implementation on a quarterly basis in case of investment program adjustments. New construction projects not supported by design documentation and cost estimates are excluded from the capex plan for the next year.

Risk of shortages of qualified personnel

Risk description

The growing shortage of qualified oil and gas personnel and their general ageing cause foreign producers to source staff in the Russian labor market. This presents the risk of a stronger demand for the industry professionals in Russia and higher salary rates, which may lead to higher payroll expenses or require production upgrades to cut operating personnel, thus deteriorating the Company's financial performance.

Risk management

To mitigate this risk, PJSC "LUKOIL" strives to provide comprehensive development of its employees, forming a talent pool consisting of the most experienced and talented employees. Another area of focus is attracting young employees, including university graduates.

PJSC “LUKOIL” CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015



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10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

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Internet www.kpmg.ru

Auditors' Report

The Shareholders and Board of Directors

PJSC LUKOIL

We have audited the accompanying consolidated financial statements of PJSC LUKOIL (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2015 and 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used

Entity: Public Joint Stock Company "Oil company "LUKOIL"

Registered by Moscow Registration Chamber on 22 of April 1993,
Registration No. 024020.

Entered in the Unified State Register of Legal Entities on 17 July 2002 by
Department of the Ministry of Taxes and Duties, Registration No.
1027700035769, Certificate series 77 No 007892347

11, Sretensky Boulevard, Moscow, Russia, 101000

Independent auditor: JSC "KPMG", a company incorporated under the
Laws of the Russian Federation, a member firm of the KPMG network of
independent member firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992,
Registration No. 011.565.

Entered in the Unified State Register of Legal Entities on 13 August 2002
by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for
Taxes and Duties of the Russian Federation, Registration No.
1027700125626, Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Audit Chamber of
Russia" (Association). The Principal Registration Number of the Entry in the
State Register of Auditors and Audit Organisations: No.10301000804.



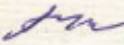
Auditors' Report
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and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for 2015 and 2014 in accordance with International Financial Reporting Standards.


Oussov A.I.

Director, power of attorney dated March 16, 2015 No. 18/15

JSC "KPMG"



April 4, 2016

Moscow, Russian Federation

PJSC "LUKOIL"
Consolidated Statement of Financial Position
(Millions of Russian rubles)

	Note	31 December 2015	31 December 2014	1 January 2014
Assets				
Current assets				
Cash and cash equivalents	6	257,263	169,023	43,092
Accounts receivable, net	7	440,489	471,811	205,500
Other current financial assets		23,768	10,700	11,592
Inventories	8	340,196	340,693	281,284
Income tax prepaid		7,413	11,367	22,182
Other taxes receivable	9	81,692	115,930	124,102
Other current assets	10	62,826	50,470	41,901
Assets held for sale	15	-	66,233	-
Total current assets		1,213,647	1,236,227	729,653
Property, plant and equipment	12	3,411,153	3,153,579	2,683,758
Investments in associates and joint ventures	11	181,744	145,404	114,799
Other non-current financial assets	13	102,067	94,037	52,451
Deferred income tax assets	27	28,735	22,111	15,473
Goodwill and other intangible assets	14	51,749	56,386	47,846
Other non-current assets		31,512	31,209	39,035
Total non-current assets		3,806,960	3,502,726	2,953,362
Total assets		5,020,607	4,738,953	3,683,015
Liabilities and equity				
Current liabilities				
Accounts payable	16	394,339	398,996	238,224
Short-term borrowings and current portion of long-term debt	17	60,506	121,271	42,905
Income tax payable		11,640	7,486	1,334
Other taxes payable	19	73,277	75,588	77,832
Provisions	21, 22	25,553	21,007	21,560
Other current liabilities	20	129,853	154,555	30,278
Liabilities related to assets held for sale	15	-	543	-
Total current liabilities		695,168	779,446	412,133
Long-term debt	18	799,207	634,847	306,273
Deferred income tax liabilities	27	234,107	227,071	227,330
Provisions	21, 22	51,115	34,419	79,241
Other non-current liabilities		9,636	13,628	2,336
Total non-current liabilities		1,094,065	909,965	615,180
Total liabilities		1,789,233	1,689,411	1,027,313
Equity				
Share capital	23	1,151	1,151	1,151
Treasury shares		(241,615)	(158,615)	(158,615)
Equity-linked notes		-	(83,000)	(83,000)
Additional paid-in capital		129,403	128,846	130,599
Other reserves		104,150	93,454	460
Retained earnings		3,229,379	3,055,542	2,750,601
Total equity attributable to PJSC "LUKOIL" shareholders		3,222,468	3,037,378	2,641,196
Non-controlling interests		8,906	12,164	14,506
Total equity		3,231,374	3,049,542	2,655,702
Total liabilities and equity		5,020,607	4,738,953	3,683,015

President of PJSC "LUKOIL"
Alekperov V.Y.

Vice-president – Chief accountant of PJSC "LUKOIL"
Khoba L.N.

The accompanying notes are an integral part of these consolidated financial statements.

PJSC "LUKOIL"
Consolidated Statement of Profit or Loss and Other Comprehensive Income
(Millions of Russian rubles, unless otherwise noted)

	Note	2015	2014
Revenues			
Sales (including excise and export tariffs)	32	5,749,050	5,504,856
Costs and other deductions			
Operating expenses		(446,719)	(368,505)
Cost of purchased crude oil, gas and products		(2,891,674)	(2,781,856)
Transportation expenses		(297,977)	(215,198)
Selling, general and administrative expenses		(168,669)	(146,550)
Depreciation, depletion and amortisation		(350,976)	(293,052)
Taxes other than income taxes		(522,620)	(467,732)
Excise and export tariffs		(575,509)	(807,401)
Exploration expenses		(29,177)	(12,228)
Profit from operating activities		465,729	412,334
Finance income	25	17,763	10,999
Finance costs	25	(48,224)	(29,727)
Equity share in income of affiliates	11	7,047	19,888
Foreign exchange gain		110,912	167,235
Other expenses	26	(164,123)	(95,874)
Profit before income taxes		389,104	484,855
Current income taxes		(100,335)	(103,303)
Deferred income taxes		3,976	12,524
Total income tax expense	27	(96,359)	(90,779)
Profit for the year		292,745	394,076
(Profit) loss for the year attributable to non-controlling interests		(1,610)	1,449
Profit for the year attributable to PJSC "LUKOIL" shareholders		291,135	395,525
Other comprehensive income (loss), net of income taxes			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		12,345	92,770
<i>Items that will never be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability/asset of pension plan	22	(1,650)	239
Other comprehensive income		10,695	93,009
Total comprehensive income for the year		303,440	487,085
Total comprehensive (income) loss for the year attributable to non-controlling interests		(1,609)	1,434
Total comprehensive income for the year attributable to PJSC "LUKOIL" shareholders		301 831	488 519
Earnings per share of common stock attributable to PJSC "LUKOIL" (in Russian rubles):			
Basic	23	408.36	554.79
Diluted	23	405.15	541.90

The accompanying notes are an integral part of these consolidated financial statements.

PJSC "LUKOIL"
Consolidated Statement of Changes in Equity
(Millions of Russian rubles)

	Share capital	Treasury shares	Equity-linked notes	Additional paid-in capital	Other reserves	Retained earnings	Total equity attributable to PJSC "LUKOIL" shareholders	Non-controlling interests	Total equity
1 January 2014	1,151	(158,615)	(83,000)	130,599	460	2,750,601	2,641,196	14,506	2,655,702
Profit for the year	-	-	-	-	-	395,525	395,525	(1,449)	394,076
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	92,755	-	92,755	15	92,770
Remeasurements of defined benefit liability/asset of pension plan	-	-	-	-	239	-	239	-	239
Total comprehensive income					92,994	395,525	488,519	(1,434)	487,085
Dividends on common shares	-	-	-	-	-	(90,584)	(90,584)	-	(90,584)
Changes in non-controlling interests	-	-	-	(1,753)	-	-	(1,753)	(908)	(2,661)
31 December 2014	1,151	(158,615)	(83,000)	128,846	93,454	3,055,542	3,037,378	12,164	3,049,542
Profit for the year	-	-	-	-	-	291,135	291,135	1,610	292,745
Other comprehensive income:									
Foreign currency translation differences	-	-	-	-	12,339	-	12,339	6	12,345
Remeasurements of defined benefit liability/asset of pension plan	-	-	-	-	(1,643)	-	(1,643)	(7)	(1,650)
Total comprehensive income					10,696	291,135	301,831	1,609	303,440
Dividends on common shares	-	-	-	-	-	(117,298)	(117,298)	-	(117,298)
Equity-linked notes conversion	-	(83,000)	83,000	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	557	-	-	557	(4,867)	(4,310)
31 December 2015	1,151	(241,615)	-	129,403	104,150	3,229,379	3,222,468	8,906	3,231,374

The accompanying notes are an integral part of these consolidated financial statements.

PJSC "LUKOIL"
Consolidated Statement of Cash Flows
(Millions of Russian rubles)

	Note	2015	2014
Cash flows from operating activities			
Profit for the year attributable to PJSC "LUKOIL" shareholders		291,135	395 525
Adjustments for non-cash items:			
Depreciation, depletion and amortisation		350,976	293,052
Equity share in income of affiliates, net of dividends received		2,680	(6,940)
Dry hole write-offs		25,447	10,055
Loss on disposals and impairments of assets		167,295	91,341
Income tax expense		96,359	90,779
Non-cash foreign exchange gain		(122,955)	(157,684)
Non-cash investing activities		(334)	(1,534)
Finance income		(17,763)	(10,999)
Finance costs		48,224	29,727
Bad debt allowance		4,045	3,977
All other items – net		3,808	5,157
Changes in operating assets and liabilities:			
Trade accounts receivable		112,351	(112,526)
Inventories		78,622	59,832
Accounts payable		(87,621)	(35,822)
Other taxes		30,461	4,310
Other current assets and liabilities		(65,004)	57,665
Income tax paid		(92,377)	(85,851)
Dividends received		9,443	12,848
Interests received		14,180	8,504
Net cash provided by operating activities		848,972	651,416
Cash flows from investing activities			
Acquisition of licenses		(686)	(3,535)
Capital expenditures		(600,639)	(575,981)
Proceeds from sale of property, plant and equipment		1,898	2,505
Purchases of financial assets		(21,203)	(14,203)
Proceeds from sale of financial assets		19,837	6,256
Sale of subsidiaries, net of cash disposed		3,804	6,043
Sale of equity method affiliates		79,328	8
Acquisitions of subsidiaries, net of cash acquired		(1,501)	11,246
Acquisitions of equity method affiliates		(6,560)	(10,713)
Net cash used in investing activities		(525,722)	(578,374)
Cash flows from financing activities			
Proceeds from issuance of short-term borrowings		76,078	173,641
Principal repayments of short-term borrowings		(76,673)	(163,790)
Proceeds from issuance of long-term debt		104,433	160,325
Principal repayments of long-term debt		(198,157)	(63,396)
Interests paid		(41,359)	(22,880)
Dividends paid on Company common shares		(111,858)	(49,651)
Dividends paid to non-controlling interest shareholders		(3,248)	(3,076)
Financing received from non-controlling interest shareholders		105	94
Sale of non-controlling interests		2,568	-
Purchases of non-controlling interest		(4,952)	(1,124)
Net cash (used in) provided by financing activities		(253,063)	30,143
Effect of exchange rate changes on cash and cash equivalents		18,053	22,826
Change in cash related to assets held for sale	15	-	(80)
Net increase in cash and cash equivalents		88,240	125,931
Cash and cash equivalents at beginning of year		169,023	43,092
Cash and cash equivalents at end of year	6	257,263	169,023

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1. ORGANISATION AND ENVIRONMENT

The primary activities of PJSC "LUKOIL" (the "Company") and its subsidiaries (together, the "Group") are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of this vertically integrated group of companies.

The Group was established in accordance with Presidential Decree No. 1403, issued on 17 November 1992. Under this decree, on 5 April 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on 1 September 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of the twenty-four founding subsidiaries to 100%.

From formation, the Group has expanded substantially through consolidation of its interests, acquisition of new companies and establishment of new businesses.

In July 2015, the Company changed its legal form to Public Joint Stock Company ("PJSC") following the requirements of the amended Russian Civil Code.

Business and economic environment

The accompanying consolidated financial statements reflect management's assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management's assessment.

NOTE 2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Group's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time adoption of International Financial Reporting Standards* has been applied.

The date of transition to IFRS is 1 January 2014. All the data relevant to the transition from accounting principles generally accepted in the United States of America ("US GAAP") to IFRS is described in Note 34 "First-time adoption of IFRS".

These consolidated financial statements have been prepared on a historical cost basis, except certain assets and liabilities measured at fair value.

The consolidated financial statements were authorised by the President of the Company on 4 April 2016.

Functional and presentation currency

The functional currency of each of the Group's consolidated companies is the currency of the primary economic environment in which the company operates. The management has analysed factors that influence the choice of functional currency and has determined the functional currency for each Group company. For the majority of them the functional currency is the local currency. The functional currency of the Company is the Russian ruble ("RUB").

The presentation currency of the Group is the RUB. All financial information presented in the RUB has been rounded to the nearest million, except when otherwise indicated.

The results and financial position of Group companies whose functional currency is different from the presentation currency of the Group are translated into the presentation currency using the following procedures. Assets and liabilities are translated at period-end exchange rates, income and expenses are translated at rates which approximate actual rates at the date of the transaction. Resulting exchange differences are recognised in other comprehensive income.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the financial position and results of operations of the Company and controlled subsidiaries. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in companies that the Group does not control, but where it has the ability to exercise significant influence (Group's interests are between 20% and 50%) over operating and financial policies, are accounted for using the equity method. These investments include the Group's interests in associates, joint ventures and investments where the Company owns the majority of the voting interest but has no control. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Note 3. Summary of significant accounting policies (continued)

Group's share in jointly controlled operations is recognised in the consolidated financial statements proportionally to its share in assets, liabilities, income and expenses. Jointly controlled operations are arrangements in which parties that have joint control over operating or financial policies have respective rights to use assets and responsibility for liabilities in the arrangements.

Other investments are classified as held-to-maturity or available-for-sale investments.

Business combinations

For each business combination the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of previous transactions. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the fair value of acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated during the process of consolidation. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in a way that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Note 3. Summary of significant accounting policies (continued)

Revenues

Revenues are recognised when title passes to customers at which point the risks and rewards of ownership are assumed by the customer and the price is fixed or determinable. Revenues include excise on petroleum products' sales and duties on export sales of crude oil and petroleum products.

Revenue from the production of oil and natural gas in which the Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts.

Revenues from non-cash sales are recognised at the fair value of the crude oil and petroleum products sold.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Financial assets

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred.

If the Group has the positive intent and ability to hold an investment to maturity, then such financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Allowances for doubtful debts are recorded to the extent that there is a likelihood that any of the amounts due will not be collected.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Derivative instruments

The Group's derivative activity is limited to certain trading operations with oil and petroleum products and hedging of commodity price risks. Currently this activity involves the use of futures and swaps contracts together with purchase and sale contracts that qualify as derivative instruments. The Group accounts for these activities as not intended for hedging and doesn't use hedge accounting. The Group accounts for these activities at fair value. Resulting realised and unrealised gains or losses are presented in profit or loss on a net basis. Unrealised gains and losses are carried as assets or liabilities in the consolidated statement of financial position.

Note 3. Summary of significant accounting policies (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other delivery costs. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The disposal of finished goods is accounted for using the first-in first-out principle, the disposal of other inventories by using the "average cost" method.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment of major subsidiaries at 1 January 2014, the Group's date of transition to IFRSs, was determined by reference to its fair value at that date.

The Group recognises exploration and evaluation costs using the successful efforts method. Under this method, all costs related to exploration and evaluation are capitalised and accounted for as construction in progress in the amount incurred less impairment (if any) until the discovery (or absence) of economically feasible oil and gas reserves has been established. When the technical feasibility and commercial viability of reserves extraction is confirmed, exploration and evaluation assets should be reclassified into property, plant and equipment. Prior to reclassification these assets should be reviewed for impairment and impairment loss (if any) expensed to the financial results. If the exploration and evaluation activity is evaluated as unsuccessful, the costs incurred should be expensed.

Depreciation, depletion and amortisation of capitalised costs of oil and gas properties is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs.

Depreciation, depletion and amortisation of the capitalised costs of risk service contract oil and gas properties is calculated using a depletion factor calculated as the ratio of value of the applicable crude oil production for the period to the total capitalised costs to be recovered.

Depreciation of assets not directly associated with oil production is calculated on a straight-line basis over the economic lives of such assets, estimated to be in the following ranges:

Buildings and constructions	5 – 40 years
Machinery and equipment	3 – 20 years

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Production and related overhead costs are expensed as incurred.

In addition to production assets, certain Group companies also maintain and construct social assets for the use of local communities. Such assets are capitalised only to the extent that they are expected to result in future economic benefits to the Group. If capitalised, they are depreciated over their estimated economic lives.

Impairment of long-lived assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or related cash-generating unit ("CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to group of CGUs that are expected to benefit from the synergies of the combination. The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group

Note 3. Summary of significant accounting policies (continued)

of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Significant unproved properties are assessed for impairment individually on a regular basis and any estimated impairment is charged to expense.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Asset retirement obligations

The Group records the fair value of liabilities related to its legal obligations to abandon, dismantle or otherwise retire tangible long-lived assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related long-lived asset is also recorded. Changes in the estimates of asset retirement obligations occur as a result of changes in cost and timing of liquidation or change of discount rates and are accounted as part of cost of property, plant and equipment in the current period. Subsequently, the related asset is depreciated using the same method as asset to be abandoned, dismantled or otherwise retired.

Assets classified as held for sale

Assets classified as held for sale are separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities classified as held for sale are presented in current assets and liabilities of the consolidated statement of financial position.

Income taxes

Deferred income tax assets and liabilities are recognised in respect of the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities for the purposes of the consolidated statement of financial position and their respective tax bases. But as opposed to deferred tax liabilities, deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Similarly a deferred tax asset shall be recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available. At the end of each reporting period realizability of deferred tax assets (both recognised and unrecognised) should be reassessed. In case of existence of previously unrecognised deferred tax assets, they

can be recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse and the assets be recovered and liabilities settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognised in profit or loss in the reporting period which includes the enactment date.

Employee benefits

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Note 3. Summary of significant accounting policies (continued)

Treasury shares

Purchases by Group companies of the Company's outstanding shares are recorded at cost and classified as treasury shares within equity. Shares shown as Authorised and Issued include treasury shares. Shares shown as Outstanding do not include treasury shares.

Earnings per share

Basic earnings per share is computed by dividing profit available for distribution to common shareholders of the Company by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is determined by adjusting profit available for distribution to common shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

Provisions and contingencies

Certain conditions may exist as of the consolidated financial statements date, which may result in losses to the Group but the impact of which will only be resolved when one or more future events occur or fail to occur.

Liabilities of the Group with high level of probability of loss are recognised in the consolidated financial statements as provisions. Liabilities of the Group with the level of probability that do not meet the conditions in order to be recognised as provisions are considered to be contingent liabilities. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements if probability of disposal of certain resources aimed to settle this liability is not remote. If probability of disposal of certain resources is remote the information about such contingencies is not disclosed.

Environmental expenditures

Estimated losses from environmental remediation obligations are generally recognised no later than completion of remedial feasibility studies. Group companies accrue for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as further information becomes available or circumstances change.

Share-based payments

The Group accounts for liability classified share-based payment awards to employees at fair value on the grant date and as of each reporting date. Expenses are recognised over the vesting period. Equity classified share-based payment awards to employees are valued at fair value on the grant date and expensed over the vesting period.

NOTE 4. USE OF ESTIMATES AND JUDGMENTS

Preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

- Estimation of oil and gas reserves;
- Estimation of useful lives of property, plant and equipment;
- Impairment of non-current assets;
- Assessment of asset retirement obligations;
- Assessment and recognition of provisions and contingent liabilities;
- Assessment of deferred income tax assets and liabilities;
- Determination of whether a joint arrangement is a joint venture or a joint operation.

Oil and gas reserves estimates that are used for the reporting purposes are made in accordance with the requirements adopted by U.S. Securities and Exchange Commission. Estimates are reassessed on an annual basis.

NOTE 5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new Standards, amendments to Standards and Interpretations are not yet effective at 31 December 2015, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 *Financial instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance. The core principle of the new standard

is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 *Leases* replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

NOTE 6. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014	1 January 2014
Cash held in RUB	98,253	55,453	8,494
Cash held in US dollars	141,863	75,572	23,709
Cash held in other currencies	17,147	18,774	7,889
Cash held in related party banks in RUB	-	17,871	2,562
Cash held in related party banks in other currencies	-	1,353	438
Total cash and cash equivalents	257,263	169,023	43,092

NOTE 7. ACCOUNTS RECEIVABLE, NET

	31 December 2015	31 December 2014	1 January 2014
Trade accounts receivable (net of allowances of 17,322 million RUB, 12,507 million RUB and 7,146 million RUB at 31 December 2015, 31 December and 1 January 2014, respectively)	375,531	390,732	194,535
Other current accounts receivable (net of allowances of 1,599 million RUB, 1,998 million RUB and 1,704 million RUB at 31 December 2015, 31 December and 1 January 2014, respectively)	64,958	81,079	10,965
Total accounts receivable, net	440,489	471,811	205,500

NOTE 8. INVENTORIES

	31 December 2015	31 December 2014	1 January 2014
Crude oil and petroleum products	275,941	290,196	240,615
Materials for extraction and drilling	21,345	17,359	10,175
Materials and supplies for refining	3,732	2,116	3,615
Other goods, materials and supplies	39,178	31,022	26,879
Total inventories	340,196	340,693	281,284

NOTE 9. OTHER TAXES RECEIVABLE

	31 December 2015	31 December 2014	1 January 2014
VAT and excise tax recoverable	39,171	44,005	49,950
Export duties prepaid	21,824	46,736	50,592
Other taxes prepaid	20,697	25,189	23,560
Total other taxes receivable	81,692	115,930	124,102

NOTE 10. OTHER CURRENT ASSETS

	31 December 2015	31 December 2014	1 January 2014
Advance payments	16,341	15,902	13,940
Prepaid expenses	31,960	25,357	19,368
Other assets	14,525	9,211	8,593
Total other current assets	62,826	50,470	41,901

NOTE 11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Carrying value of investments in associates and joint ventures:

Name of the company	Country	Ownership, %					
		31 December 2015	31 December 2014	1 January 2014	31 December 2015	31 December 2014	1 January 2014
<i>Joint Ventures:</i>							
Tengizchevroil (TCO)	Kazakhstan	5%	5%	5%	99,843	75,904	40,250
Caspian Investments Resources (CIRL)	Kazakhstan	-	-	50%	-	-	36,914
Caspian Pipeline Consortium (CPC)	Kazakhstan	12.5%	12.5%	12.5%	27,574	18,229	9,695
Turgai Petroleum	Kazakhstan	50%	50%	50%	1,675	9,432	5,191
Shah Deniz Midstream	Azerbaijan	10%	10%	10%	22,284	10,660	3,468
<i>Associates:</i>							
Other associates					30,368	31,179	19,281
Total					181,744	145,404	114,799

TCO is engaged in development of hydrocarbon resources in Kazakhstan. The Group has classified its interest in TCO as a joint venture as it has rights to the net assets of the arrangement.

31 December 2015	TCO	CPC	Turgai Petroleum	Shah Deniz Midstream	Other associates	Total
Current assets	150,549	35,348	4,712	25,274	40,868	256,751
Non-current assets	1,172,207	671,010	5,992	239,561	151,180	2,239,950
Current liabilities	73,178	25,946	4,173	28,086	31,396	162,779
Non-current liabilities	193,485	459,817	3,181	13,912	97,395	767,790
Net assets (100%)	1,056,093	220,595	3,350	222,837	63,257	1,566,132
Share in net assets	99,843	27,574	1,675	22,284	30,368	181,744

31 December 2014	TCO	CPC	Turgai Petroleum	Shah Deniz Midstream	Other associates	Total
Current assets	194,065	77,730	13,983	8,791	43,510	338,079
Non-current assets	727,814	402,306	23,167	128,976	150,539	1,432,802
Current liabilities	86,065	33,321	12,522	22,100	29,615	183,623
Non-current liabilities	84,515	388,522	5,763	9,062	89,549	577,411
Net assets (100%)	751,299	58,193	18,865	106,605	74,885	1,009,847
Share in net assets	75,904	18,229	9,432	10,660	31,179	145,404

Note 11. Investments in associates and joint ventures (continued)

1 January 2014	TCO	CIRL	CPC	Turgai Petroleum	Shah Deniz Midstream	Other associates	Total
Current assets	118,699	38,956	37,061	9,830	3,125	41,108	248,779
Non-current assets	345,693	60,523	215,428	16,428	46,281	107,412	791,765
Current liabilities	98,714	10,857	19,112	8,505	14,366	27,963	179,517
Non-current liabilities	32,073	14,795	210,962	7,371	9,790	58,348	333,339
Net assets (100%)	333,605	73,827	22,415	10,382	25,250	62,209	527,688
Share in net assets	40,250	36,914	9,695	5,191	3,468	19,281	114,799

2015	TCO	CPC	Turgai Petroleum	Shah Deniz Midstream	Other associates	Total
Revenues	773,217	92,100	10,859	18,245	90,524	984,945
Net income (loss), (100%)	188,660	26,418	(9,542)	8,573	(13,093)	201,016
Share in net income (loss)	7,230	3,382	(4,771)	857	349	7,047

2014	TCO	CIRL	CPC	Turgai Petroleum	Shah Deniz Midstream	Other associates	Total
Revenues	876,516	49,858	48,814	23,049	11,376	62,897	1,072,510
Net income (loss), (100%)	292,235	(228)	13,429	4,730	5,428	5,276	320,870
Share in net income (loss)	13,126	(114)	1,068	2,365	543	2,900	19,888

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	Exploration and production	Refining, marketing and distribution	Other	Total
Cost				
1 January 2014	1,914,364	731,770	83,014	2,729,148
Additions	464,514	154,736	6,531	625,781
Acquisitions through business combinations	196	1,353	-	1,549
Capitalised borrowing costs	406	639	-	1,045
Transfer to assets held for sale	-	(3,869)	-	(3,869)
Disposals	(31,270)	(16,001)	(1,245)	(48,516)
Changes in estimates of asset retirement obligations	(46,736)	-	-	(46,736)
Effect of movements in exchange rates	285,069	131,923	4,845	421,837
Other	(30,370)	29,546	2,247	1,423

Note 12. Property, plant and equipment (continued)

	Exploration and production	Refining, marketing and distribution	Other	Total
31 December 2014	2,556,173	1,030,097	95,392	3,681,662
Additions	464,687	113,231	6,121	584,039
Acquisitions through business combinations	974	9,077	-	10,051
Capitalised borrowing costs	642	900	-	1,542
Disposals	(41,318)	(9,529)	(853)	(51,700)
Changes in estimates of asset retirement obligations	6,129	-	-	6,129
Effect of movements in exchange rates	242,289	63,331	3,215	308,835
Other	3,097	(855)	(288)	1,954
31 December 2015	3,232,673	1,206,252	103,587	4,542,512
Depreciation and impairment				
1 January 2014	(50,969)	(52,593)	(5,321)	(108,883)
Depreciation for the year	(239,611)	(50,040)	(4,918)	(294,569)
Impairment loss	(57,765)	(17,023)	-	(74,788)
Disposals	749	5,178	227	6,154
Effect of movements in exchange rates	(98,344)	(32,071)	(1,252)	(131,667)
Other	1,812	3,836	2,739	8,387
31 December 2014	(444,128)	(142,713)	(8,525)	(595,366)
Depreciation for the year	(273,452)	(66,874)	(5,826)	(346,152)
Impairment loss	(119,341)	(35,282)	(5)	(154,628)
Disposals	2,110	4,659	260	7,029
Effect of movements in exchange rates	(116,563)	(18,349)	(559)	(135,471)
Other	(1,880)	(956)	28	(2,808)
31 December 2015	(953,254)	(259,515)	(14,627)	(1,227,396)
Advance payments for property, plant and equipment				
1 January 2014	48,545	14,021	927	63,493
31 December 2014	58,558	8,258	467	67,283
31 December 2015	94,619	1,280	138	96,037
Carrying amounts				
1 January 2014	1,911,940	693,198	78,620	2,683,758
31 December 2014	2,170,603	895,642	87,334	3,153,579
31 December 2015	2,374,038	948,017	89,098	3,411,153

The cost of assets under construction included in Property, plant and equipment was 676,908 million RUB, 825,782 million RUB and 538,086 million RUB at 31 December 2015, 31 December and 1 January 2014, respectively.

As a first-time adopter of IFRS, the Company used a voluntary exemption provided by IFRS 1 and used fair value as the deemed cost of property, plant and equipment. The Company commissioned ZAO Deloitte&Touche CIS to independently appraise the fair value of property, plant and equipment of the most significant subsidiaries at 1 January 2014 (see Note 34 "First-time adoption of IFRS"). All other items of property, plant and equipment have been recorded at historic cost.

Note 12. Property, plant and equipment (continued)

Exploration and evaluation assets

	2015	2014
1 January	46,906	37,884
Capitalised expenditures	82,779	25,585
Acquisitions through business combinations	4	-
Reclassified to development assets	13,052	(10,870)
Charged to expenses	(96,991)	(3,906)
Effect of movements in exchange rates	6,258	-
Other movements	294	(1,787)
31 December	52,302	46,906

The Company performs a regular annual impairment test of its assets. The test is based on geological models and development programs, which are revised on a regular basis, at least annually.

As a result of the test, during 2015, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 47,972 million RUB, for its international exploration and production assets in the amount of 71,369 million RUB, for its refining, marketing and distribution assets in Russia in the amount of 18,142 million RUB and for its international refining, marketing and distribution assets in the amount of 17,145 million RUB.

The recoverable amount of CGUs subject to impairment in 2015 in the amount of 199,619 million RUB was determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using the following discount rates: for exploration and production assets – from 10 to 15% discount rate, for refining, marketing and distribution assets – from 10% to 23%.

Further downward revisions to our oil and gas price outlook based on consensus estimates at year end by 10% may lead to further impairments, which mostly relate to our international upstream

portfolio and in aggregate may be material. However, considering substantial uncertainty relevant to other assumptions that would be triggered by a 10% decrease in commodity price forecast, it is impracticable to estimate the possible effect of changes in these assumptions.

As a result of the test, during 2014, the Group recognised an impairment loss for its exploration and production assets in Russia in the amount of 37,858 million RUB, for its international exploration and production assets in the amount of 19,907 million RUB and for its refining, marketing and distribution assets in the amount of 17,023 million RUB.

The recoverable amount of CGUs subject to impairment in 2014 in the amount of 26,406 million RUB was determined as value in use equal to the present value of the expected cash flows. Value in use was estimated using the following discount rates: for exploration and production assets – 10% discount rate, for refining, marketing and distribution assets – from 15% to 28%.

Impairment loss is included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.

NOTE 13. OTHER NON-CURRENT FINANCIAL ASSETS

	31 December 2015	31 December 2014	1 January 2014
Long-term loans	89,770	84,712	46,324
including loans to associates	89,407	84,024	44,809
Non-current accounts and notes receivable	8,148	7,185	5,946
Other non-current financial assets	4,149	2,140	181
Total other non-current financial assets	102,067	94,037	52,451

NOTE 14. GOODWILL AND OTHER INTANGIBLE ASSETS

	Internally generated software	Other internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Cost					
1 January 2014	14,328	1,306	34,302	24,902	74,838
Additions as a result of internal developments	703	392	-	-	1,095
Additions – separately acquired	-	-	3,748	566	4,314
Disposals	(822)	(53)	(1,142)	-	(2,017)
Foreign currency translation differences	2	-	11,032	7,439	18,473
Other	12	(510)	(2,489)	(847)	(3,834)
31 December 2014	14,223	1,135	45,451	32,060	92,869
Additions as a result of internal developments	622	457	-	-	1,079
Acquisitions through business combinations	-	-	2	453	455
Additions – separately acquired	-	-	5,778	-	5,778
Disposals	(146)	(5)	(1,398)	-	(1,549)
Foreign currency translation differences	1	-	4,043	3,252	7,296
Other	22	5	400	-	427
31 December 2015	14,722	1,592	54,276	35,765	106,355
Amortisation and impairment					
1 January 2014	(7,607)	-	(19,390)	-	(26,997)
Amortisation for the year	(1,314)	(76)	(4,056)	-	(5,446)
Impairment loss	-	-	-	(550)	(550)
Disposals	92	-	686	-	778
Foreign currency translation differences	(2)	-	(5,510)	-	(5,512)
Other	(12)	(8)	1,264	-	1,244
31 December 2014	(8,843)	(84)	(27,006)	(550)	(36,483)
Amortisation for the year	(1,326)	(175)	(4,786)	-	(6,287)
Impairment loss	-	-	(162)	(10,281)	(10,443)
Disposals	61	2	1,264	-	1,327
Foreign currency translation differences	(1)	-	(1,238)	(1,081)	(2,320)
Other	(1)	(6)	(431)	-	(438)
31 December 2015	(10,110)	(263)	(32,359)	(11,912)	(54,644)

Note 14. Goodwill and other intangible assets (continued)

	Internally generated software	Other internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Advance payments for intangible assets					
1 January 2014	-	-	5	-	5
31 December 2014	-	-	-	-	-
31 December 2015	-	-	38	-	38
Carrying amount					
1 January 2014	6,721	1,306	14,917	24,902	47,846
31 December 2014	5,380	1,051	18,445	31,510	56,386
31 December 2015	4,612	1,329	21,955	23,853	51,749

The impairment losses during 2015 and 2014 in the amount of 10,281 million RUB and 550 million RUB, respectively, relate to goodwill in the international refining, marketing and distribution segment.

NOTE 15. ASSETS HELD FOR SALE

On 15 April 2014, a Group company entered into a contract with a Sinopec group company, to sell the Group's 50% interest in Caspian Investment Resources Ltd., an exploration and production company operating in Kazakhstan. On 3 June 2015, a Group company made a substitute transaction with a Sinopec group company for the sale

at a price of \$1,067 million (77.8 billion RUB). The transaction's closing was subject to requisite governmental consents and approvals and was completed on 20 August 2015. During 2015, the Group recognised an impairment loss related to these assets in the amount of 4,975 million RUB that is included in "Other expenses" in the Consolidated statement of profit or loss or other comprehensive income.

NOTE 16. ACCOUNTS PAYABLE

	31 December 2015	31 December 2014	1 January 2014
Trade accounts payable	339,091	361,164	208,294
Other accounts payable	55,248	37,832	29,930
Total accounts payable	394,339	398,996	238,224

NOTE 17. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM DEBT

	31 December 2015	31 December 2014	1 January 2014
Short-term borrowings from third parties	33,611	18,226	4,049
Short-term borrowings from related parties	5,609	4,730	1,054
Current portion of long-term debt	21,286	98,315	37,802
Total short-term borrowings and current portion of long-term debt	60,506	121,271	42,905

Note 17. Short-term borrowings and current portion of long-term debt (continued)

Short-term borrowings from third parties include amounts repayable in US dollars of 22,951 million RUB, 12,998 million RUB and 2,156 million RUB and amounts repayable in other currencies of 10,660 million RUB, 5,228 million RUB and 1,893 million RUB at 31 December 2015, 31 December and 1 January 2014,

respectively. The weighted-average interest rate on short-term borrowings from third parties was 5.43%, 4.44% and 4.71% per annum at 31 December 2015, 31 December and 1 January 2014, respectively. Approximately 68% of total short-term borrowings from third parties at 31 December 2015 are secured by inventories.

NOTE 18. LONG-TERM DEBT

	31 December 2015	31 December 2014	1 January 2014
Long-term loans and borrowings from third parties	408,781	330,198	82,731
Long-term borrowings from related parties	138	21	-
6.375% non-convertible US dollar bonds, maturing 2014	-	-	29,430
2.625% convertible US dollar bonds, maturing 2015	-	83,720	47,839
6.356% non-convertible US dollar bonds, maturing 2017	36,441	28,129	16,365
3.416% non-convertible US dollar bonds, maturing 2018	108,983	84,030	48,797
7.250% non-convertible US dollar bonds, maturing 2019	43,583	33,612	19,537
6.125% non-convertible US dollar bonds, maturing 2020	72,778	56,165	32,667
6.656% non-convertible US dollar bonds, maturing 2022	36,441	28,129	16,365
4.563% non-convertible US dollar bonds, maturing 2023	108,983	84,030	48,797
Finance lease obligations	4,365	5,128	1,547
Total long-term debt	820,493	733,162	344,075
Current portion of long-term debt	(21,286)	(98,315)	(37,802)
Total non-current portion of long-term debt	799,207	634,847	306,273

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of 336,842 million RUB, 231,804 million RUB and 66,140 million RUB, amounts repayable in euros of 70,447 million RUB, 34,503 million RUB and 15,937 million RUB, and amounts repayable in other currencies of 1,492 million RUB, 63,891 million RUB and 654 million RUB at 31 December 2015, 31 December and 1 January 2014, respectively. This debt has maturity dates from 2016 through 2028. The weighted-average interest rate on long-term loans and borrowings from third parties was 3.77%, 4.66% and 2.94% per annum at 31 December 2015, 31 December and 1 January 2014, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 16% of total long-term loans and borrowings from third parties at 31 December 2015 are secured by export sales and property, plant and equipment.

US dollar convertible bonds

In December 2010, a Group company issued unsecured convertible bonds totaling \$1.5 billion (109.3 billion RUB) with a coupon yield of 2.625% and maturity in June 2015. The bonds were placed at face value. The bonds were convertible into LUKOIL ADRs (each representing one ordinary share of the Company). In June 2015, a Group company redeemed all issued bonds in accordance with the conditions of the bond issue.

Note 18. Long-term debt (continued)

US dollar non-convertible bonds

In April 2013, a Group company issued two tranches of non-convertible bonds totaling \$3 billion (218.6 billion RUB). The first tranche totaling \$1.5 billion (109.3 billion RUB) was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling \$1.5 billion (109.3 billion RUB) was placed with a maturity of 10 years and a coupon yield of 4.563% per annum. All bonds were placed at face value and have a half year coupon period.

In November 2010, a Group company issued two tranches of non-convertible bonds totaling \$1 billion (72.8 billion RUB) with a maturity of 10 years and a coupon yield of 6.125%. The first tranche totaling \$800 million (58.3 billion RUB) was placed at a price of 99.081% of the bond's face value with a resulting yield to maturity of 6.250%. The second tranche totaling \$200 million (14.5 billion RUB) was placed at a price of 102.44% of the bond's face value with a resulting yield to maturity of 5.80%. All bonds have a half year coupon period.

In November 2009, a Group company issued two tranches of non-convertible bonds totaling \$1.5 billion (109.3 billion RUB). The first tranche totaling \$900 million (65.6 billion RUB) with a coupon yield of 6.375% per annum was placed with a maturity of 5 years at a price of 99.474% of the bond's face value with a resulting yield to maturity of 6.500%. The second tranche totaling \$600 million (43.7 billion RUB) with a coupon yield of 7.250% per annum was placed with a maturity of 10 years at a price of 99.127% of the bond's face value with a resulting yield to maturity of 7.375%. All bonds have a half year coupon period. In November 2014, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

In June 2007, a Group company issued two tranches of non-convertible bonds totaling \$1 billion (72.8 billion RUB). \$500 million (36.4 billion RUB) were placed with a maturity of 10 years and a coupon yield of 6.356% per annum. Another \$500 million (36.4 billion RUB) were placed with a maturity of 15 years and a coupon yield of 6.656% per annum. All bonds were placed at face value and have a half year coupon period.

NOTE 19. OTHER TAXES PAYABLE

	31 December 2015	31 December 2014	1 January 2014
Mineral extraction tax	24,566	29,221	33,651
VAT	21,532	17,682	22,123
Excise taxes	15,553	14,395	12,275
Property tax	4,583	3,958	3,987
Export duties	8	4,109	1,276
Other taxes	7,035	6,223	4,520
Total other taxes payable	73,277	75,588	77,832

NOTE 20. OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014	1 January 2014
Advances received	79,424	110,677	28,603
Dividends payable	47,615	41,770	1,000
Other	2,814	2,108	675
Total other current liabilities	129,853	154,555	30,278

NOTE 21. PROVISIONS

	Asset retirement obligations	Provision for employee compensations	Provision for environmental liabilities	Pension provisions	Provision for unused vacations	Other provisions	Total
1 January 2014	67,351	12,529	3,949	7,064	2,952	6,956	100,801
Incl.: Non-current	67,152	1,506	2,531	6,361	38	1,653	79,241
Current	199	11,023	1,418	703	2,914	5,303	21,560
31 December 2014	19,604	12,876	5,457	6,451	3,434	7,604	55,426
Incl.: Non-current	19,274	5,103	3,408	4,765	44	1,825	34,419
Current	330	7,773	2,049	1,686	3,390	5,779	21,007
31 December 2015	32,919	19,837	5,455	7,913	3,591	6,953	76,668
Incl.: Non-current	32,632	6,733	3,575	6,392	134	1,649	51,115
Current	287	13,104	1,880	1,521	3,457	5,304	25,553

Asset retirement obligations changed as follows during 2015 and 2014.

	2015	2014
1 January	19,604	67,351
Provisions made during the year	2,472	5,022
Reversal of provisions	(261)	(3,142)
Provisions used during the year	(87)	(262)
Accretion expense	1,543	4,845
Change in discount rate	4,153	(25,489)
Changes in estimates	1,431	(33,573)
Foreign currency translation differences	3,885	4,934
Other movements	179	(82)
31 December	32,919	19,604

NOTE 22. PENSION OBLIGATION

The Group sponsors a postretirement defined benefit pension plan that covers the majority of the Group's employees. One type of pension plan is based on years of service, final remuneration levels as of the end of 2003 and employee gratitude, received during the period of work. The other type of pension plan is based on salary. These plans are solely financed by Group companies. Simultaneously employees have the right to receive pension benefits with a partial payment by the Group (up to 4% of the annual salary of the employee). Plan assets and pensions payments are managed by a non-state pension fund, OJSC "NPF LUKOIL-GARANT"

("LUKOIL-GARANT"). The Group also provides several long-term social benefits, including lump-sum death-in-service benefit, in case of disability and upon retirement payments. Also certain payments are received by retired employees upon reaching a certain old age or invalidity.

The Company uses 31 December as the measurement date for its pension obligation. An independent actuary has assessed the benefit obligations at 31 December 2015 and 2014.

All the data in the following tables is presented gross (before taxation).

Note 22. Pension obligation (continued)

The following tables set out movement in the present value of the defined benefit obligation during 2015 and 2014.

	Funded plans	Post-employment benefits	Other long-term benefits	Total
1 January 2015	5,830	5,550	137	11,517
Current service cost	296	332	45	673
Interest cost	515	722	18	1,255
Remeasurement (gains) losses:				
Remeasurement (gains) losses – experience	486	(100)	(14)	372
Remeasurement losses – changes in assumptions	859	182	14	1,055
Remeasurement losses – changes in foreign exchange rates	79	200	-	279
Past service cost	52	171	6	229
Benefits paid	(881)	(584)	(42)	(1,507)
Gains on curtailments	(209)	(94)	(1)	(304)
Other	(14)	-	1	(13)
31 December 2015	7,013	6,379	164	13,556

	Funded plans	Post-employment benefits	Other long-term benefits	Total
1 January 2014	5,300	5,977	131	11,408
Current service cost	292	356	10	658
Interest cost	464	460	10	934
Remeasurement (gains) losses:				
Remeasurement losses – experience	462	117	23	602
Remeasurement gains – changes in assumptions	(481)	(965)	(19)	(1,465)
Remeasurement losses – changes in foreign exchange rates	-	351	-	351
Past service cost	117	(76)	27	68
Benefits paid	(885)	(584)	(37)	(1,506)
Gains on curtailments	(16)	(60)	(8)	(84)
Other	573	(26)	4	551
31 December 2014	5,826	5,550	141	11,517

Note 22. Pension obligation (continued)

The following table sets out movement in the fair value of plan assets during 2015 and 2014.

	2015	2014
1 January	5,066	4,344
Interest income	589	316
Remeasurement losses	(325)	(37)
Contribution from employer	1,020	1,035
Benefits paid	(851)	(820)
Other	144	228
31 December	5,643	5,066

The following table sets out amounts recognised in profit or loss during 2015 and 2014.

	2015	2014
Service cost:		
Current service cost	673	658
Past service cost	229	68
Curtailment	(304)	(84)
Net interest expense	666	618
Other	(151)	16
Components of defined benefit costs recorded in profit and loss	1,113	1,276

The following table sets out amounts recognised in other comprehensive (income) loss during 2015 and 2014.

	2015	2014
The return on plan assets	325	72
Experience actuarial losses	386	579
Remeasurement losses (gains) – changes in assumptions	1,040	(1,446)
Remeasurement losses – changes in foreign exchange rates	279	351
Components of defined benefit costs recorded in other comprehensive loss (income)	2,030	(444)

The following table sets out movement in the net liabilities during 2015 and 2014.

	2015	2014
1 January	6,451	7,064
Components of defined benefit costs recorded in profit or loss	1,113	1,276
Components of defined benefit costs recorded in other comprehensive loss (income)	2,030	(444)
Contributions from employer	(1,020)	(1,035)
Benefits paid	(656)	(686)
Other	(5)	276
31 December	7,913	6,451

Note 22. Pension obligation (continued)

The following table sets out movement in the other comprehensive (income) loss during 2015 and 2014.

	2015	2014
1 January	(903)	(459)
Change during the year	2,030	(444)
31 December	1,127	(903)

The following table sets out key actuarial assumptions used for valuation for 2015 and 2014.

	2015	2014
Nominal discount rate	9.8%	13.0%
Nominal inflation	5.8%	7.5%
Nominal increase in salaries	6.9%	9.7%
Rate used for annuity contracts calculation	6.0%	6.0%

Assumptions regarding the future mortality are set based on national mortality tables "Russia 2013" and "Russia 2010" for unfunded plans. For funded plans LUKOIL-GARANT annuity rates are used. These

assumptions translated into an average life expectancy in years are as follows:

	2015		2014	
	Mortality table „Russia 2013,„	Mortality table used by LUKOIL-GARANT	Mortality table „Russia 2010,„	Mortality table used by LUKOIL-GARANT
Females at age 55	26.0	25.5	24.6	24.2
Males at age 60	16.4	15.9	14.9	14.6

The plans are funded on a discretionary basis through a solidarity account, which is held in trust with LUKOIL-GARANT. LUKOIL-GARANT does not allocate separately identifiable assets to the Group or its other third party clients. All funds of plan assets and other individual pension accounts are managed as a pool of investments.

The asset allocation of the investment portfolio maintained by LUKOIL-GARANT for the Group and its other clients was as follows:

Type of assets	Share, %	
	2015	2014
Russian corporate bonds	41.4%	65.9%
Eurobonds	-	6.6%
Shares of non-related entities to PJSC "LUKOIL" (Russian issuers)	26.9%	-
Bank deposits	7.4%	8.7%
Cash	12.4%	9.2%
Units in mutual funds	5.9%	7.6%
Other assets	6.0%	2.0%
Total	100.0%	100.0%

Note 22. Pension obligation (continued)

Sensitivity analysis

Reasonably possible changes to one of the significant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Change in obligation from base case	2015		2014	
	Increase	Decrease	Increase	Decrease
Discount rate (change by 1% p.a. compared to the base case)	(4.9%)	4.6%	(3.8%)	4.3%
Inflation rate (change by 1% p.a. compared to the base case)	3.5%	(3.9%)	2.2%	(2.0%)
Salary growth (change by 1% p.a. compared to the base case)	1.8%	(1.6%)	1.6%	(1.5%)
Population mortality (change by 10% compared to base case)	(0.8%)	0.8%	(0.8%)	0.8%
Staff turnover rates (change by 5% to retirement ages below 50)	(14.0%)	23.0%	(12.0%)	20.0%

NOTE 23. EQUITY

Common shares

	31 December 2015 (thousands of shares)	31 December 2014 (thousands of shares)	1 January 2014 (thousands of shares)
Authorised common shares, par value of 0.025 RUB each	850,563	850,563	850,563
Issued common shares, par value of 0.025 RUB each	850,563	850,563	850,563
Treasury shares	(137,630)	(95,697)	(95,697)
Outstanding common shares	712,933	754,866	754,866

Share capital and Additional paid-in capital have been adjusted for hyperinflation to state them in terms of the measuring unit at 31 December 2002. Adjustments for hyperinflation were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency. The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments have been made since that date.

Dividends and dividend limitations

Profits available for distribution to common shareholders in respect of any reporting period are determined by reference to the statutory financial statements of the Company prepared in accordance with the laws of the Russian Federation and denominated in Russian rubles. Under Russian Law, dividends are limited to the profit for the reporting period as set out in the statutory financial statements of the Company. These laws and other legislative acts governing

the rights of shareholders to receive dividends are subject to various interpretations.

At the extraordinary shareholders' meeting on 16 December 2015, interim dividends for 2015 were declared in the amount of 65.00 RUB per common share.

Total dividends for 2014 were declared in the amount of 154.00 RUB per common share. Total dividends for 2013 were declared in the amount of 110.00 RUB per common share.

Dividends payable on the Company common shares in the amount of 46,609 million RUB, 41,212 million RUB and 331 million RUB are included in "Other current liabilities" in the consolidated statement of financial position at 31 December 2015, 31 December and 1 January 2014, respectively.

Note 23. Equity (continued)

Earnings per share

The calculation of basic and diluted earnings per share was as follows:

	2015	2014
Profit for the year attributable to PJSC "LUKOIL"	291,135	395,525
Add back interest and accretion on 2.625% convertible US dollar bonds, maturing 2015 (net of tax at effective rate)	1,718	2,530
Total diluted profit for the year attributable to PJSC "LUKOIL"	292,853	398,055
Weighted average number of outstanding common shares (thousands of shares)	741,769	754,866
Equity-linked notes	(28,836)	(41,933)
Weighted average number of common shares (thousands of shares)	712,933	712,933
Add back treasury shares held in respect of convertible debt (thousands of shares)	9,890	21,617
Weighted average number of common shares, assuming dilution (thousands of shares)	722,823	734,550
Earnings per share of common stock attributable to PJSC "LUKOIL" (RUB):		
Basic	408.36	554.79
Diluted	405.15	541.90

NOTE 24. PERSONNEL EXPENSES

Personnel expenses were as follows:

	2015	2014
Salary	126,506	105,606
Statutory insurance contributions	26,994	21,968
Share-based payments	4,837	6,327
Total personnel expenses	158,337	133,901

NOTE 25. FINANCE INCOME AND COSTS

Finance income was as follows:

	2015	2014
Interest income from deposits	10,202	5,154
Interest income from loans	6,179	4,222
Gain on financial assets disposals	77	205
Other finance income	1,305	1,418
Total finance income	17,763	10,999

Note 25. Finance income and costs (continued)

Finance costs were as follows:

	2015	2014
Interest expense	44,082	24,440
Accretion expense	1,583	4,845
Loss on financial assets disposals	982	442
Other finance costs	1,577	-
Total finance costs	48,224	29,727

NOTE 26. OTHER INCOME AND EXPENSES

Other income was as follows:

	2015	2014
Changes in estimates of asset retirement obligations	546	10,088
Reversal on impairment of assets	1,292	291
Gain on disposal of assets	43,945	6,089
Other income	15,564	6,096
Total other income	61,347	22,564

Other expenses were as follows:

	2015	2014
Impairment loss	187,050	75,441
Loss on disposal of assets	24,051	22,278
Charity expenses	7,929	6,997
Other expenses	6,440	13,722
Total other expenses	225,470	118,438

NOTE 27. INCOME TAX

Operations in the Russian Federation are subject to a Federal income tax rate of 2.0% and a regional income tax rate that varies from 13.5% to 18.0% at the discretion of the individual regional administration. The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

Note 27. Income tax (continued)

Income tax was as follows:

	2015	2014
Current income tax expense for the year	101,106	105,478
Adjustment for prior periods	(771)	(2,175)
Current income taxes	100,335	103,303
Origination and reversal of temporary differences	(3,976)	2,395
Recognition of previously unrecognised tax gains	-	(14,919)
Deferred income tax	(3,976)	(12,524)
Total income tax expense	96,359	90,779

The following table is a reconciliation of the amount of income tax expense that would result from applying the Russian combined statutory income tax rate of 20% applicable to the Company to profit before income taxes to total income taxes.

	2015	2014
Profit before income taxes	389,104	484,855
Notional income tax at the Russian statutory rate	77,821	96,971
Increase (reduction) in income tax due to:		
Non-deductible items, net	19,155	7,641
Domestic and foreign rate differences	(4,929)	(10,600)
Change in recognised deductible temporary differences	4,312	(3,233)
Total income tax expense	96,359	90,779

The following table sets out the tax effects of each type of temporary differences which give rise to deferred income tax assets and liabilities.

	31 December 2015	31 December 2014	1 January 2014
Property, plant and equipment	9,698	4,938	6,375
Inventories	4,232	3,367	4,539
Accounts receivable	922	823	622
Accounts payable and provisions	7,920	5,701	5,928
Operating loss carry forward	36,156	32,155	12,765
Other	1,870	1,497	619
Total deferred income tax assets	60,798	48,481	30,848
Set off of tax	(32,063)	(26,370)	(15,375)
Deferred income tax assets	28,735	22,111	15,473

Note 27. Income tax (continued)

	31 December 2015	31 December 2014	1 January 2014
Property, plant and equipment	(244,294)	(237,477)	(224,614)
Investments	(4,280)	(4,047)	(2,801)
Inventories	(6,200)	(3,506)	(3,804)
Accounts receivable	(6,422)	(4,961)	(7,865)
Accounts payable and provisions	(1,275)	(229)	(1,062)
Other	(3,699)	(3,221)	(2,559)
Total deferred income tax liabilities	(266,170)	(253,441)	(242,705)
Set off of tax	32,063	26,370	15,375
Deferred income tax liabilities	(234,107)	(227,071)	(227,330)
Net deferred income tax liabilities	(205,372)	(204,960)	(211,857)

	1 January 2015	Recognition in profit or loss	Acquisitions and Disposal	Foreign currency translation differences and other	31 December 2015
Property, plant and equipment	(232,539)	3,639	(73)	(5,623)	(234,596)
Investments	(4,047)	(348)	-	115	(4,280)
Inventories	(139)	(2,280)	(10)	461	(1,968)
Accounts receivable	(4,138)	(1,399)	-	37	(5,500)
Accounts payable	5,472	2,137	611	(1,575)	6,645
Operating loss carry forward	32,155	2,342	(313)	1,972	36,156
Other	(1,724)	(115)	(615)	625	(1,829)
Net deferred income tax liabilities	(204,960)	3,976	(400)	(3,988)	(205,372)

	1 January 2014	Recognition in profit or loss	Acquisitions and Disposal	Foreign currency translation differences and other	31 December 2014
Property, plant and equipment	(218,239)	(7,447)	(205)	(6,648)	(232,539)
Investments	(2,801)	(715)	-	(531)	(4,047)
Inventories	735	(1,022)	(9)	157	(139)
Accounts receivable	(7,243)	3,847	-	(742)	(4,138)
Accounts payable	4,866	401	13	192	5,472
Operating loss carry forward	12,765	16,919	(569)	3,040	32,155
Other	(1,940)	541	69	(394)	(1,724)
Net deferred income tax liabilities	(211,857)	12,524	(701)	(4,926)	(204,960)

Note 27. Income tax (continued)

Deferred tax assets have not been recognised in respect of the temporary differences related to the following items:

	31 December 2015	31 December 2014	1 January 2014
Property, plant and equipment	4,480	4,760	4,859
Operating loss carry forward	19,895	15,290	18,452
Other	43	56	28
Total deferred tax assets	24,418	20,106	23,339

Management believes that it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

Amounts recognised in other comprehensive income during 2015:

	Before tax	Tax	Net of tax
Foreign currency translation differences for foreign operations	12,345	-	12,345
Remeasurements of defined benefit liability (asset) of pension plan	(2,030)	380	(1,650)
Total	10,315	380	10,695

Amounts recognised in other comprehensive income during 2014:

	Before tax	Tax	Net of tax
Foreign currency translation differences for foreign operations	92,770	-	92,770
Remeasurements of defined benefit liability (asset) of pension plan	444	(205)	239
Total	93,214	(205)	93,009

Retained earnings of foreign subsidiaries for which deferred taxation has not been provided because remittance of the earnings has been indefinitely postponed through reinvestment included 836,935 million RUB at 31 December 2015 and 1,647,738 million RUB

at 31 December 2014. Such amounts are considered to be indefinitely invested and it is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

NOTE 28. OPERATING LEASE

At 31 December 2015, 31 December and 1 January 2014, Group companies had commitments primarily for the lease of vessels and petroleum distribution outlets. Commitments for minimum rentals under these leases are payable as follows:

	31 December 2015	31 December 2014	1 January 2014
Less than a year	35,858	16,126	17,025
1-5 years	46,589	28,181	16,144
More than 5 years	80,924	65,244	41,526
Total	163,371	109,551	74,695

NOTE 29. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 December 2015, capital commitments of the Group relating to construction and acquisition of property, plant and equipment are evaluated as 648,096 million RUB.

Insurance

The insurance industry in the Russian Federation and certain other areas where the Group has operations is in the course of development. Management believes that the Group has adequate property damage coverage for its main production assets. In respect of third party liability for property and environmental damage arising from accidents on Group property or relating to Group operations, the Group has insurance coverage that is generally higher than insurance limits set by the local legal requirements. Management believes that the Group has adequate insurance coverage of the risks, which could have a material effect on the Group's operations and financial position.

Environmental liabilities

Group companies and their predecessor companies have operated in the Russian Federation and other countries for many years and, within certain parts of the operations, environmental related problems have developed. Environmental regulations are currently under consideration in the Russian Federation and other areas where the Group has operations. Group companies routinely assess and evaluate their obligations in response to new and changing legislation.

As liabilities in respect of the Group's environmental obligations are able to be determined, they are recognised in profit or loss. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material. Under existing legislation, however, management believes that there are no significant unrecorded liabilities or contingencies, which could have a materially adverse effect on the operating results or financial position of the Group.

Social assets

Certain Group companies contribute to Government sponsored programs, the maintenance of local infrastructure and the welfare of their employees within the Russian Federation and elsewhere. Such contributions include assistance with the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. The funding of such assistance is periodically determined by management and is appropriately capitalised or expensed as incurred.

Taxation environment

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during the three subsequent calendar years. However, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Such factors may create substantially more significant taxation risks in the Russian Federation and other emerging markets where Group companies operate, than those in other countries where taxation regimes have been subject to development and clarification over long periods.

The tax authorities in each region may have a different interpretation of similar taxation issues which may result in taxation issues successfully defended by the Group in one region being unsuccessful in another region. There is some direction provided from the central authority based in Moscow on particular taxation issues. The Group has implemented tax planning and management strategies based on existing legislation at the time of implementation. The Group is subject to tax authority audits on an ongoing basis, as is normal in the Russian environment and other republics of the former Soviet Union, and, at times, the authorities have attempted to impose additional significant taxes on the Group. Management believes that it has adequately met and provided for tax liabilities based on its interpretation of existing tax legislation. However, the relevant tax authorities may have differing interpretations and the effects on the consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation and claims

On 27 November 2001, Archangel Diamond Corporation ("ADC"), a Canadian diamond development company, filed a lawsuit in the Denver District Court, Colorado against OAO Arkhangelskgeoldobycha ("AGD"), a Group company, and the Company (together the "Defendants"). ADC alleged that the Defendants interfered with the transfer of a diamond exploration license to Almazny Bereg, a joint venture between ADC and AGD. ADC claimed compensatory damages of \$1.2 billion (87.5 billion RUB) and punitive damages of \$3.6 billion (262.4 billion RUB). On 15 October 2002, the District Court dismissed the lawsuit for lack of personal jurisdiction. This ruling was upheld by the Colorado Court of Appeals on 25 March 2004. However, on 21 November 2005, due to a procedural error, the Colorado Supreme Court remanded the case to the Colorado Court of Appeals and the Colorado Court of Appeals remanded the case to the District Court. On 20 October 2011, the Denver District Court dismissed all claims against the Company for lack of jurisdiction. On 23 August 2012, the Colorado Court of Appeals affirmed this decision. On 1 July 2013,

Note 29. Commitments and contingencies (continued)

the Colorado Supreme Court denied ADC's Petition for Writ of Certiorari. The case in the state court is therefore over.

On 6 January 2012, ADC filed a lawsuit in the US District Court for the District of Colorado (federal court) reasserting almost identical claims asserted in the aforementioned lawsuit and dismissed by the Denver District Court (state court). In the federal Court case, the Company has filed a Motion to Dismiss. On 18 December 2014, the federal court granted the motion based on lack of personal jurisdiction over the Company and the doctrine of "forum non conveniens". ADC filed a notice of appeal in the US Court of Appeals for the Tenth Circuit.

On 9 February 2016, the US Court of Appeals for the Tenth Circuit affirmed the dismissal of the case on "forum non conveniens" grounds. On 23 February 2016, ADC filed a Petition for rehearing and for "rehearing en banc". The case is pending a decision. The Company plans to seek dismissal of the case and vigorously defend the matter. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group's financial position.

In June 2014, the prosecutors with the Ploesti Court of Appeals (hereinafter the "Prosecutor's Office") issued an order on initiation of criminal proceedings and brought charges against PETROTEL-LUKOIL S.A. refinery, a Group company, and its general director based on alleged tax evasion and money laundering. Later the Prosecutor's Office added bad faith use of the company's credit and money laundering charges for 2008-2010 against LUKOIL Europe Holdings B.V. The amount of the claim is not finalized. LUKOIL LUBRICANTS EAST EUROPE S.R.L., LUKOIL ENERGY & GAS ROMANIA S.R.L. and a number of Romanian legal entities not affiliated with the Group are also considered to be suspects in this criminal case. At the moment a preliminary investigation of the criminal case is being conducted. Tax audits of PETROTEL-LUKOIL S.A. have not revealed any material violations so far. In July 2015, a new charge in respect of bad faith use of the company's credit and money laundering was brought against the general director and several officers of PETROTEL-LUKOIL S.A. A similar charge was brought against LUKOIL Europe Holdings B.V. and PETROTEL-LUKOIL S.A. for 2011-2014. On 3 August 2015, the Prosecutor's Office issued the final indictment on the new charges and submitted the case to the Prahova Tribunal for further consideration by the preliminary chamber judge. The allegations of bad faith use of the company's credit in respect of PETROTEL-LUKOIL S.A. were excluded from the final indictment. Following the preliminary hearing the Prosecutor's Office revised the amount of damage claimed from \$2.2 billion (160.3 billion RUB) to \$1.5 billion (109.3 billion RUB). This amount is not final. During the entire trial it may be revised by the Tribunal on the basis of evidence produced. On 15 December 2015, the Prahova Tribunal ascertained that there are numerous irregularities in the indictment act and returned the criminal file to the Prosecutor's Office. The solution was confirmed by the Ploesti Court of Appeal on 19 January 2016. However, the Prosecutor has prepared a new indictment act based on the same accusations which were submitted to the Prahova Tribunal on 22 January 2016. The preliminary hearing on the new indictment act in the Prahova Tribunal was held on 25 March 2016. The Court decided to grant a new 5 days period of time for the Prosecutor to remediate the irregularities

identified. In the meantime, management of PETROTEL-LUKOIL S.A. and its tax and legal counsel are actively defending the lawful rights and interests of the refinery, provide all required opinions, clarifications and comments, and prepare an exhaustive set of evidence to fully rebut the charges brought by the Prosecutor's Office. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

LUKOIL Overseas Karachaganak B.V., a Group company, among other contractors, is involved in the dispute related to cost recovery and calculation of the "fairness index" in accordance with the Final Production Sharing Agreement in respect of the Karachaganak field. An estimated total of claims filed by the Republic of Kazakhstan is about \$1.6 billion (116.6 billion RUB), a share of LUKOIL Overseas Karachaganak B.V. equals to \$214 million (15.6 billion RUB). At the moment the parties are negotiating a settlement of this dispute. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group's financial position.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial condition.

Political situation

During 2014-2015, there was an increase of political and economic instability in Ukraine. Though the Group's assets and operations in Ukraine are not material, the Group monitors the situation and assesses the risks associated with its operations in Ukraine. At 31 December 2014, the Group recognised an impairment loss related to assets held for sale amounting to 2.2 billion RUB and related to goodwill amounting to 550 million RUB. Management believes that there are no other potential material losses that can be identified and reasonably estimated with respect to the situation in Ukraine at present.

In July-September 2014, the United States ("US"), the European Union ("EU") and other countries imposed a number of sectorial sanctions on Russian entities, including the Company. These sanctions prohibit the US and the EU companies and individuals from the provision of goods, services or technology (except for financial services to the Company) that can be used on the territory of the Russian Federation in exploration and production of crude oil in deepwater, Arctic offshore and shale projects. The Company considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Company's financial position and results of operations.

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors the risks associated with the projects in Iraq and believes that there is no adverse effect on the Group's financial position that can be reasonably estimated at present.

NOTE 30. RELATED PARTY TRANSACTIONS

In the rapidly developing business environment in the Russian Federation, companies and individuals have frequently used nominees and other forms of intermediary companies in transactions. The senior management of the Company believes

that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties in this environment and has disclosed all of the relationships identified which it deemed to be significant. Related party sales and purchases of oil and oil products were primarily to and from affiliated companies. Related party processing services were provided by affiliated oil refinery.

Outstanding balances with related parties:

	31 December 2015	31 December 2014	1 January 2014
Accounts receivable	10,830	6,153	4,662
Other financial assets	91,250	88,620	55,536
Total assets	102,080	94,773	60,198
Accounts payable	8,458	9,012	4,714
Loans and borrowings	5,747	4,533	1,054
Total liabilities	14,205	13,545	5,768

Related party transactions were as follows:

	2015	2014
Sales of oil and oil products	30,880	14,502
Other sales	1,490	1,200
Purchases of oil and oil products	67,433	94,385
Other purchases	7,316	8,069
Loans given	7,139	11,639
Loans received	15,279	13,606

Key management remuneration

Key management personnel includes members of the Board of Directors and members of the Management Board. Remuneration of key management personnel, including basic salary,

bonuses and other payments, amounted to 2,364 million RUB and 2,832 million RUB during 2015 and 2014, respectively. These amounts include expenses related to compensation plan, which is disclosed in Note 31 "Compensation plan".

NOTE 31. COMPENSATION PLAN

In December 2012, the Company introduced a compensation plan available to certain members of management for the period from 2013 to 2017, which is based on assigned shares and provides compensation consisting of two parts. The first part represents annual bonuses that are based on the number of assigned shares and amount of dividend per share. The payment of these bonuses is contingent on the Group meeting certain financial KPIs in each financial year. The second part is based upon the Company's common shares appreciation from 2013 to 2017, with rights vesting after the date of the compensation plan's termination. The number of assigned shares is approximately 19 million shares.

For the first part of the share plan the Group recognised a liability based on expected dividends and number of assigned shares. The second part of the share plan was also classified as liability settled. The reporting date fair value of this part of the plan was estimated at 11,128 million RUB, using the Black-Scholes-Merton option-pricing model. The fair value was estimated assuming a risk-free interest rate of 10.14% per annum, an expected dividend yield of 6.22% per annum, an expected time to maturity of two years and a volatility factor of 14.99%. The expected volatility factor for the annual weighted average share price was estimated based on the historical volatility of the Company's shares for the previous ten years from 2006 till 2015.

Related to this share plan the Group recognised 4,837 million RUB and 6,327 million RUB of compensation expense during 2015 and 2014, respectively. At 31 December 2015, 31 December and 1 January 2014 amounts of 9,698 million RUB, 7,573 million RUB and 3,208 million RUB related to this plan are included in "Provisions" of the consolidated statement of financial position.

At 31 December 2015, there was 4,451 million RUB of total unrecognised compensation cost related to unvested benefits. This cost is expected to be recognised periodically by the Group up to December 2017.

NOTE 32. SEGMENT INFORMATION

The Group has the following operating segments – exploration and production; refining, marketing and distribution; corporate and other business segments. These segments have been determined based on the nature of their operations. Management on a regular basis assesses the performance of these operating segments. The exploration and production segment explores for, develops and produces primarily crude oil.

The refining, marketing and distribution segment processes crude oil into refined products, purchases, sells and transports crude oil and refined petroleum products, refines and sells chemical products, produces steam and electricity, distributes them and provides related services. The corporate and other business operating segment includes activities of the Company and businesses beyond the Group's traditional operations.

Geographical segments are based on the area of operations and include two segments: Russia and International.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance. EBITDA is defined as profit before interest income and expense, income tax expense, depreciation, depletion and amortisation.

Note 32. Segment information (continued)

Operating segments

2015	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	263,422	5,455,372	30,256	-	5,749,050
Inter-segment	1,613,982	56,185	52,682	(1,722,849)	-
Total revenues	1,877,404	5,511,557	82,938	(1,722,849)	5,749,050
Operating expenses	263,101	188,911	22,031	(27,324)	446,719
Selling, general and administrative expenses	39,861	126,345	36,576	(34,113)	168,669
Profit for the year	107,453	93,502	63,528	26,652	291,135
EBITDA	489,076	203,358	89,062	(12,565)	768,931
Income tax expense					(96,359)
Finance income					17,763
Finance costs					(48,224)
Depreciation, depletion and amortisation					(350,976)
Profit for the year attributable to PJSC "LUKOIL" shareholders					291,135

2014	Exploration and production	Refining, marketing and distribution	Corporate and other	Elimination	Consolidated
Sales and other operating revenues					
Third parties	212,078	5,272,084	20,694	-	5,504,856
Inter-segment	1,498,272	58,910	57,669	(1,614,851)	-
Total revenues	1,710,350	5,330,994	78,363	(1,614,851)	5,504,856
Operating expenses	217,448	178,748	27,749	(55,440)	368,505
Selling, general and administrative expenses	38,621	106,143	35,439	(33,653)	146,550
Profit for the year	173,888	90,174	74,877	56,586	395,525
EBITDA	466,473	178,240	98,630	54,741	798,084
Income tax expense					(90,779)
Finance income					10,999
Finance costs					(29,727)
Depreciation, depletion and amortisation					(293,052)
Profit for the year attributable to PJSC "LUKOIL" shareholders					395,525

Note 32. Segment information (continued)

Geographical segments

	2015	2014
Sales of crude oil within Russia	145,688	128,431
Export of crude oil and sales of crude oil by foreign subsidiaries	1,389,955	1,279,131
Sales of petroleum products within Russia	604,687	613,535
Export of petroleum products and sales of petroleum products by foreign subsidiaries	3,238,339	3,182,398
Sales of chemicals within Russia	28,248	10,346
Export of chemicals and sales of chemicals by foreign subsidiaries	34,490	32,231
Sales of gas and gas products within Russia	38,229	42,406
Export of gas products and sales of gas and gas products by foreign subsidiaries	100,097	83,025
Sales of energy and related services within Russia	58,237	54,922
Sales of energy and related services by foreign subsidiaries	12,516	7,583
Other sales within Russia	41,134	32,186
Other export sales and other sales of foreign subsidiaries	57,430	38,662
Total sales	5,749,050	5,504,856

2015	Russian Federation	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	946,824	4,802,226	-	5,749,050
Inter-segment	1,161,026	5,423	(1,166,449)	-
Total revenues	2,107,850	4,807,649	(1,166,449)	5,749,050
Operating expenses	299,514	131,659	15,546	446,719
Selling, general and administrative expenses	86,251	86,472	(4,054)	168,669
Profit (loss) for the year	391,343	(125,604)	25,396	291,135
EBITDA	650,450	132,346	(13,865)	768,931

2014	Russian Federation	International	Elimination	Consolidated
Sales and other operating revenues				
Third parties	913,144	4,591,712	-	5,504,856
Inter-segment	1,345,956	9,584	(1,355,540)	-
Total revenues	2,259,100	4,601,296	(1,355,540)	5,504,856
Operating expenses	259,786	100,709	8,010	368,505
Selling, general and administrative expenses	83,447	68,328	(5,225)	146,550
Profit (loss) for the year	388,318	(49,015)	56,222	395,525
EBITDA	617,773	120,694	59,617	798,084

Note 32. Segment information (continued)

In the International segment the Group receives the most substantial revenues in Switzerland and the USA.

	2015	2014
Sales revenues		
in Switzerland	2,604,891	2,633,373
in the USA	403,196	383,523

These amounts are attributed to individual countries based on the jurisdiction of subsidiaries making the sale.

NOTE 33. SUBSIDIARIES

Key subsidiaries

The most significant subsidiaries of the Group are presented below.

Subsidiary	Country of incorporation	31 December 2015		31 December 2014		1 January 2014	
		Total shares, %	Voting shares, %	Total shares, %	Voting shares, %	Total shares, %	Voting shares, %
LUKOIL INTERNATIONAL GmbH	Austria	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – West Siberia OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – Perm OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – Komi OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LITASCO SA	Switzerland	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – Permnefteorgsintez OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – Nizhegorodnefteorgsintez OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – Nizhnevolzhskneft OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL – Volgogradneftepererabotka OOO	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
AO RITEK	Russia	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKARCO B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL Neftochim Bourgas AD	Bulgaria	99.82%	99.82%	99.71%	99.71%	99.61%	99.61%
ISAB S.r.l.	Italy	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL Mid-East Limited	Cyprus	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Karachaganak B.V.	Netherlands	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Uzbekistan Ltd.	Redomiciling to Cyprus	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
LUKOIL Overseas Shah Deniz Ltd.	Cyprus	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Soyuzneftegaz Vostok Limited	Cyprus	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

NOTE 34. FIRST-TIME ADOPTION OF IFRS

In preparing these consolidated financial statements the Group applied IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Standard contains a number of voluntary and mandatory exemptions from the requirement to retrospectively apply IFRS effective at 1 January 2014.

The Group used the following exemptions:

1. Business combinations

The Group elected to apply IFRS 3 *Business Combinations* prospectively to business combinations occurring after its transition date. All business combinations, which occurred prior to the transition date, have not been restated. Classifications made in the consolidated financial statements under US GAAP have remained unchanged and the Group has recognised all the assets and liabilities at the date of transition that were acquired or accepted as a result of past business combinations.

2. Deemed cost

As deemed cost the Group used the fair value of property, plant and equipment and construction in progress. The Group commissioned an independent appraiser to evaluate the fair value of property, plant and equipment of major subsidiaries at 1 January 2014.

3. Asset retirement obligations

When accounting for asset retirement obligations, the Group applied an exemption by:

- Evaluating the obligation as at the transition date by independent appraiser in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* based on the new functional currency;
- Recognising the difference between the amount of the liability at the transition date and the amount determined under US GAAP in retained earnings.

The nature of all material adjustments made to the US GAAP consolidated balance sheet in connection with transition to IFRS is described below.

The US GAAP RUB amounts were derived from the US GAAP consolidated balance sheet at 31 December 2013 by translating the USD amounts at the exchange rate at that date.

Reconciliation of the consolidated statement of financial position at 1 January 2014 (date of transition to IFRS):

	US GAAP (mIn RUB)	Fair value	Capitalised costs and new functional currency	Hyperinflation	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	Other adjustments	IFRS (mIn RUB)
Assets									
Current assets									
Cash and cash equivalents	56,024	-	-	-	-	(12,999)	(356)	423	43,092
Accounts receivable, net	259,960	-	-	-	-	(3,537)	(49,687)	(1,236)	205,500
Other current financial assets	11,889	-	-	-	-	-	-	(297)	11,592
Inventories	288,038	-	(3,514)	-	-	(633)	(2,575)	(32)	281,284
Income tax prepaid	-	-	-	-	-	-	23,528	(1,346)	22,182
Other taxes and duties receivable	-	-	-	-	-	-	124,102	-	124,102
Other current assets	149,770	-	-	-	-	(1,075)	(103,571)	(3,223)	41,901
Total current assets	765,681	-	(3,514)	-	-	(18,244)	(8,559)	(5,711)	729,653

Note 34. First-time adoption of IFRS (continued)

	US GAAP (mln RUB)	Fair value	Capitalised costs and new functional currency	Hyperinflation	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	Other adjustments	IFRS (mln RUB)
Property, plant and equipment	2,568,126	131,998	9,375	-	-	(30,519)	2,575	2,203	2,683,758
Investments in associates and joint ventures	-	-	-	-	-	22,235	93,987	(1,423)	114,799
Other non-current financial assets	139,245	-	(5)	-	-	1,251	(87,957)	(83)	52,451
Deferred income tax assets	22,400	-	-	-	(12,385)	(17)	5,475	-	15,473
Goodwill and other intangible assets	42,553	-	602	-	-	4,994	-	(303)	47,846
Other non-current assets	43,821	-	2,855	-	-	(387)	(7,221)	(33)	39,035
Total non-current assets	2,816,145	131,998	12,827	-	(12,385)	(2,443)	6,859	361	2,953,362
Total assets	3,581,826	131,998	9,313	-	(12,385)	(20,687)	(1,700)	(5,350)	3,683,015
Liabilities and equity									
Current liabilities									
Accounts payable	240,061	-	-	-	-	(919)	-	(918)	238,224
Short-term borrowings and current portion of long-term debt	43,785	-	-	-	-	(449)	(153)	(278)	42,905
Income tax payable	-	-	-	-	-	-	1,334	-	1,334
Other taxes payable	81,850	-	-	-	-	(2,685)	(1,334)	1	77,832
Provisions	-	-	-	-	-	(592)	21,984	168	21,560
Other current liabilities	62,928	-	-	-	-	-	(32,612)	(38)	30,278
Total current liabilities	428,624	-	-	-	-	(4,645)	(10,781)	(1,065)	412,133
Long-term debt	310,361	-	-	-	-	(2,561)	(1,547)	20	306,273
Deferred income tax liabilities	154,604	-	-	-	64,203	(833)	10,628	(1,272)	227,330
Provisions	90,452	-	-	-	-	(1,289)	12,133	(22,055)	79,241
Other non-current liabilities	16,902	-	-	-	-	(218)	(12,133)	(2,215)	2,336
Total non-current liabilities	572,319	-	-	-	64,203	(4,901)	9,081	(25,522)	615,180
Total liabilities	1,000,943	-	-	-	64,203	(9,546)	(1,700)	(26,587)	1,027,313
Equity									
Share capital	492	-	-	659	-	-	-	-	1,151
Treasury shares	(169,832)	-	11,217	-	-	-	-	-	(158,615)
Equity-linked notes	(81,823)	-	(1,177)	-	-	-	-	-	(83,000)
Additional paid-in capital	149,714	-	-	(19,115)	-	-	-	-	130,599
Other reserves	(1,800)	-	-	-	-	-	-	2,260	460
Retained earnings	2,675,071	126,553	(727)	18,456	(76,588)	(11,141)	-	18,977	2,750,601
Equity attributable to PJSC "LUKOIL" shareholders	2,571,822	126,553	9,313	-	(76,588)	(11,141)	-	21,237	2,641,196
Non-controlling interests	9,061	5,445	-	-	-	-	-	-	14,506
Total equity	2,580,883	131,998	9,313	-	(76,588)	(11,141)	-	21,237	2,655,702
Total liabilities and equity	3,581,826	131,998	9,313	-	(12,385)	(20,687)	(1,700)	(5,350)	3,683,015

Note 34. First-time adoption of IFRS (continued)

Fair value

The Group made fair value adjustment of property, plant and equipment of major subsidiaries calculated by the independent appraiser at 1 January 2014. The fair value was estimated at 1,969 billion RUB and referred to Level 3 fair value measurements.

Most property, plant and equipment owned by the Group is specialised and typically can not be sold on an open market other than as part of an operating business. Except for the land and commercial property which were appraised based on recent market transactions, the market for similar assets is idle in Russia and simply lacks sufficient number of deals to form a reliable basis for the Market Approach. Consequently, the fair value of property, plant and equipment was primarily determined employing the depreciated replacement cost ("DRC") technique. This method considers the cost to reproduce or replace the asset adjusted for physical and functional deterioration.

The DRC was estimated based on both internal sources and analysis of the Russian and international markets for similar property, plant and equipment. Various market data were collected from published documents, catalogues, statistical data and industry experts, also Russian and foreign suppliers of similar assets were contacted.

Along with determination of the DRC the value of property, plant and equipment was tested for recoverability with cash flow projections. The following key assumptions were used in performing the cash flow testing:

- Cash flows were projected based on historical data, actual operating results and the Group's long-term business plan and the following macroeconomic assumptions: short-term oil price projections were based on 2014 futures' prices; export duties for crude oil and refined products were based on effective tax legislation. The current tax regime stipulates a gradual reduction of export duty by 4% until 2017 with a consistent increase in mineral extraction tax by \$66 per barrel. Price and tax projections assumed the current tax burden for the oil industry to be stable in the long run.
- Production output was projected based on existing business plans for the downstream segment and registered investment project plans for the upstream segment.
- Sales margins for the downstream segment were projected to fluctuate slightly based on certain business segment, its geographic location, global refining margin and domestic market premiums.
- Unit production costs and other costs were projected to follow investment project plans and inflation.

- A discount rate was applied subject to certain business segment and its geographic location as follows: upstream segment – 11.7%, refinery segment – 12.1-13.4%, petrochemical segment – 12.3%, distribution segment – 7.0-17.4%, Russian power generation segment – 10%. The discount rates were estimated based on an industry weighted average cost of capital, which, in its turn, relied upon possible respective range of debt burden and market interest rates.
- A terminal value for the downstream and power generation segments was derived at the end of a 10-year interim period.

Deferred tax recalculation

The Group recalculated deferred taxes as a result of adjustments made to the net book value of assets (mainly property, plant and equipment) and liabilities. In addition, under IFRS current deferred tax assets have been reclassified into non-current assets and current deferred tax liabilities into non-current liabilities.

Changes in accounting of joint arrangements and impairment

The Group analysed its participation in joint arrangements and determined the list of jointly controlled operations and joint ventures to be accounted for in accordance with IFRS. The share in the jointly controlled operations is recognised using the proportionate consolidation method based on the proportionate share of assets, liabilities, expenses and income from the joint operations. Interests in joint ventures are accounted for under the equity method.

An impairment loss on investments of 11,141 million RUB was recognised as a result of an impairment test applied on the date of transition to IFRS.

Reclassifications

Certain reclassifications have been made due to differences in presentation of the consolidated statement of financial position in accordance with IFRS in comparison with US GAAP.

Note 34. First-time adoption of IFRS (continued)

Reconciliation of the consolidated statement of financial position
at 31 December 2014:

	US GAAP (mln RUB)	Fair value	Capitalised costs and new functional currency	Hyperinflation	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	ARO adjustments	Other adjustments	IFRS (mln RUB)
Assets										
Current assets										
Cash and cash equivalents	169,000	-	-	-	-	-	-	-	23	169,023
Accounts receivable, net	518,309	-	1,899	-	-	(807)	(43,754)	-	(3,836)	471,811
Other current financial assets	13,164	-	-	-	-	(2,639)	-	-	175	10,700
Inventories	346,214	-	(1,270)	-	-	159	(2,529)	-	(1,881)	340,693
Income tax prepaid	-	-	-	-	-	-	11,491	-	(124)	11,367
Other taxes and duties receivable	-	-	-	-	-	163	125,114	-	(9,347)	115,930
Other current assets	150,435	-	-	-	-	402	(98,797)	-	(1,570)	50,470
Assets held for sale	83,262	-	(2,037)	-	-	(14,992)	-	-	-	66,233
Total current assets	1,280,384	-	(1,408)	-	-	(17,714)	(8,475)	-	(16,560)	1,236,227
Property, plant and equipment	4,583,203	117,935	(1,495,013)	-	-	10,519	2,529	(61,612)	(3,982)	3,153,579
Investments in associates and joint ventures	-	-	(21,949)	-	-	(17,291)	185,507	-	(863)	145,404
Other non-current financial assets	270,490	-	-	-	-	1,937	(178,935)	-	545	94,037
Deferred income tax assets	40,787	-	142	-	(24,759)	-	5,946	-	(5)	22,111
Goodwill and other intangible assets	67,116	(191)	(18,196)	-	-	7,657	-	-	-	56,386
Other non-current assets	47,707	-	(7,320)	-	-	-	(8,765)	-	(413)	31,209
Total non-current assets	5,009,303	117,744	(1,542,336)	-	(24,759)	2,822	6,282	(61,612)	(4,718)	3,502,726
Total assets	6,289,687	117,744	(1,543,744)	-	(24,759)	(14,892)	(2,193)	(61,612)	(21,278)	4,738,953

Note 34. First-time adoption of IFRS (continued)

	US GAAP (mIn RUB)	Fair value	Capitalised costs and new functional currency	Hyperinflation	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	ARO adjustments	Other adjustments	IFRS (mIn RUB)
Liabilities and equity										
Current liabilities										
Accounts payable	399,491	-	(2)	-	-	(1,497)	-	-	1,004	398,996
Short-term borrowings and current portion of long-term debt	121,968	-	(715)	-	-	-	-	-	18	121,271
Income tax payable	-	-	-	-	-	(188)	8,291	-	(617)	7,486
Other taxes payable	80,843	-	-	-	-	59	(8,291)	-	2,977	75,588
Provisions	-	-	1	-	-	-	18,618	(132)	2,520	21,007
Other current liabilities	181,771	-	-	-	-	-	(27,163)	-	(53)	154,555
Liabilities related to assets held for sale	15,471	-	15	-	-	(14,992)	-	-	49	543
Total current liabilities	799,544	-	(701)	-	-	(16,618)	(8,545)	(132)	5,898	779,446
Long-term debt	639,152	-	(2,038)	-	-	-	(2,193)	-	(74)	634,847
Deferred income tax liabilities	156,286	-	-	-	63,219	3,138	8,545	-	(4,117)	227,071
Provisions	88,494	-	-	-	-	264	15,941	(69,224)	(1,056)	34,419
Other non-current liabilities	29,479	-	-	-	-	-	(15,941)	-	90	13,628
Total non-current liabilities	913,411	-	(2,038)	-	63,219	3,402	6,352	(69,224)	(5,157)	909,965
Total liabilities	1,712,955	-	(2,739)	-	63,219	(13,216)	(2,193)	(69,356)	741	1,689,411

Note 34. First-time adoption of IFRS (continued)

	US GAAP (mIn RUB)	Fair value	Capitalised costs and new functional currency	Hyperinflation	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	ARO adjustments	Other adjustments	IFRS (mIn RUB)
Equity										
Share capital	844	-	(352)	659	-	-	-	-	-	1,151
Treasury shares	(291,925)	-	133,310	-	-	-	-	-	-	(158,615)
Equity-linked notes	(140,646)	-	57,646	-	-	-	-	-	-	(83,000)
Additional paid-in capital	254,513	-	(106,552)	(19,115)	-	-	-	-	-	128,846
Other reserves	(2,082)	-	99,006	-	(5,336)	(3,134)	-	5,010	(10)	93,454
Retained earnings	4,743,539	118,069	(1,724,063)	18,456	(82,642)	1,458	-	2,734	(22,009)	3,055,542
Equity attributable to PJSC "LUKOIL" shareholders	4,564,243	118,069	(1,541,005)	-	(87,978)	(1,676)	-	7,744	(22,019)	3,037,378
Non-controlling interests	12,489	(325)	-	-	-	-	-	-	-	12,164
Total equity	4,576,732	117,744	(1,541,005)	-	(87,978)	(1,676)	-	7,744	(22,019)	3,049,542
Total liabilities and equity	6,289,687	117,744	(1,543,744)	-	(24,759)	(14,892)	(2,193)	(61,612)	(21,278)	4,738,953

Functional currency

PJSC "LUKOIL" and its Russian subsidiaries used the USD as the functional currency for the purpose of consolidated financial statements prepared in accordance with US GAAP. The RUB was determined as the functional currency of PJSC "LUKOIL" and its

Russian subsidiaries for the purpose of consolidated financial statements prepared in accordance with IFRS. Capitalised costs and new functional currency adjustment included in Retained earnings at 31 December 2014 includes the effect of changes in functional currency due to volatility of exchange rate of RUB to USD in the total amount of 1,539,898 million RUB.

Note 34. First-time adoption of IFRS (continued)

Reconciliation of the consolidated statement of profit or loss and other comprehensive income for 2014:

	US GAAP (mln RUB)	Fair value	Capitalised costs and new functional currency	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	ARO adjustments	Other adjustment	IFRS (mln RUB)
Revenues									
Sales	5,539,170	-	(12,290)	-	(14,510)	-	-	(7,514)	5,504,856
Costs and other deductions									
Operating expenses	(388,638)	-	2,142	-	5,241	-	8,638	4,112	(368,505)
Cost of purchased crude oil, gas and products	(2,737,368)	-	(32,346)	-	(10,443)	-	-	(1,699)	(2,781,856)
Transportation expenses	(226,459)	-	4,700	-	1,255	-	-	5,306	(215,198)
Selling, general and administrative expenses	(148,232)	-	1,348	-	1,079	-	-	(745)	(146,550)
Depreciation, depletion and amortisation	(338,727)	7,543	30,454	-	5,861	-	1,490	327	(293,052)
Taxes other than income taxes	(495,335)	-	24,253	-	2,452	(549)	-	1,447	(467,732)
Excise and export tariffs	(820,845)	-	17,944	-	6,579	549	-	(11,628)	(807,401)
Exploration expenses	(42,418)	-	9,289	-	-	20,901	-	-	(12,228)
Loss on impairments of assets	(67,354)	-	-	-	-	67,354	-	-	-
Profit from operating activities	273,794	7,543	45,494	-	(2,486)	88,255	10,128	(10,394)	412,334

Note 34. First-time adoption of IFRS (continued)

	US GAAP (mln RUB)	Fair value	Capitalised costs and new functional currency	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	ARO adjustments	Other adjustment	IFRS (mln RUB)
Finance income	10,566	-	-	-	(345)	223	-	555	10,999
Finance costs	(24,475)	-	576	-	118	(223)	(4,838)	(885)	(29,727)
Equity share in income of affiliates	21,209	-	(5,915)	-	2,451	-	-	2,143	19,888
Foreign exchange (loss) gain	(13,641)	105	216,437	10,104	115	-	(38,620)	(7,265)	167,235
Other expenses	(7,262)	(16,351)	(4,768)	-	10,585	(88,255)	9,011	1,166	(95,874)
Profit before income taxes	260,191	(8,703)	251,824	10,104	10,438	-	(24,319)	(14,680)	484,855
Current income taxes	(110,501)	-	3,744	-	2,509	-	-	945	(103,303)
Deferred income taxes	31,429	-	(2,201)	(16,158)	(348)	-	-	(198)	12,524
Total income tax expense	(79,072)	-	1,543	(16,158)	2,161	-	-	747	(90,779)
Profit for the year	181,119	(8,703)	253,367	(6,054)	12,599	-	(24,319)	(13,933)	394,076
Loss for the year attributable to non-controlling interests	1,230	219	-	-	-	-	-	-	1,449
Profit for the year attributable to PJSC "LUKOIL" shareholders	182,349	(8,484)	253,367	(6,054)	12,599	-	(24,319)	(13,933)	395,525

Note 34. First-time adoption of IFRS (continued)

	US GAAP (mln RUB)	Fair value	Capitalised costs and new functional currency	Deferred tax recalculation	Changes in method of accounting of joint arrangements and impairment	Reclassification	ARO adjustments	Other adjustment	IFRS (mln RUB)
Other comprehensive income (loss), net of income taxes									
<i>Items that may be reclassified to profit or loss:</i>									
Foreign currency translation differences for foreign operations	-	-	92,770	-	-	-	-	-	92,770
<i>Items that will never be reclassified to profit or loss:</i>									
Remeasurements of defined benefit liability/asset of pension plan	692	-	-	-	-	-	-	(453)	239
Other comprehensive income	692	-	92,770	-	-	-	-	(453)	93,009
Total comprehensive income for the year	181,811	(8,703)	346,137	(6,054)	12,599	-	(24,319)	(14,386)	487,085
Total comprehensive loss for the year attributable to non-controlling interests	1,230	219	(15)	-	-	-	-	-	1,434
Total comprehensive income for the year attributable to PJSC "LUKOIL" shareholders	183,041	(8,484)	346,122	(6,054)	12,599	-	(24,319)	(14,386)	488,519

NOTE 35. FAIR VALUE

There are the following methods of fair value measurement based on the valuation method:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: unobservable inputs.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities included in the consolidated statement of financial position at 31 December 2015, 31 December and 1 January 2014:

31 December 2015	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	41,648	-	41,648	-	41,648
Available for sale securities	4,045	-	-	4,045	4,045
Financial liabilities:					
Commodity derivative contracts	10,827	-	10,827	-	10,827
Loans and borrowings	820,493	400,140	-	392,952	793,092

31 December 2014	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	58,852	-	58,852	-	58,852
Available for sale securities	2,142	-	-	2,142	2,142
Financial liabilities:					
Commodity derivative contracts	2,602	-	2,602	-	2,602
Loans and borrowings	733,162	353,877	-	280,537	634,414

1 January 2014	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Commodity derivative contracts	190	-	190	-	190
Available for sale securities	144	-	-	144	144
Financial liabilities:					
Commodity derivative contracts	4,002	-	4,002	-	4,002
Loans and borrowings	344,075	272,349	-	85,331	357,680

Note 35. Fair value (continued)

The fair values of cash and cash equivalents (Level 1), current and long-term accounts receivable (Level 3) are approximately equal to their value as disclosed in the consolidated statement of financial position. The fair value of long-term receivables was determined by discounting with estimated market interest rates for similar financing arrangements. The fair value of long-term loans (Level 3) was determined as a result of discounting using estimated market interest rates for similar financing arrangements. These amounts include all future cash outflows associated with the long-term debt repayments, including the current portion and interest. Market interest rates mean the rates of raising long-term debt by companies with a similar credit rating for similar tenors, repayment schedules and other similar main terms. The fair value of bonds (Level 1) was determined based on market quotations at 31 December 2015, 31 December and 1 January 2014.

NOTE 36. CAPITAL AND RISK MANAGEMENT

The Group's governing bodies pay great attention to risk management issues to provide a reasonable guarantee for the achievement of the set objectives under the conditions characterized by uncertainties and negative impact factors. The Group is constantly identifying, describing, estimating and monitoring the possible events that may affect its activities, and is elaborating measures to prevent them or mitigate their negative impact to the greatest extent possible if such events do take place.

The Group seeks to actively promote risk management and is presently focusing its efforts on the improvement of a general enterprise risk management system (ERM) based on the best

international practices. The Group is constantly improving the applicable regulatory methodological risk management base that establishes requirements aimed at organizing the risk management process at all stages, and defines management standards for certain risk types of utmost importance, which are uniform for all of Group organizations. The Risk Committee, a dedicated body under the President of the Company, was set up and began its work in 2011.

The information with regard to key financial risks of the Group is presented below.

Credit risk

The Group's most significant credit risks include first of all the risk of failure by its counterparties to perform their obligations in terms of payment for the products supplied by the Group. In order to mitigate these risks, the Group focuses on partnerships with counterparties that have high credit ratings, accepts letters of credit and guarantees issued by reputable banks and sometimes demands prepayment for the products supplied. In addition, it utilizes tools to limit the credit risks of a given counterparty.

Another group of credit risks includes risks associated with contractor banks' activities and potential impairment of their financial stability. In order to mitigate these risks, the Group is involved in centralized treasury operations, part of which are aimed at fund raising, investment and operations involving currency exchange and financial derivatives. The credit ratings of contractor banks are monitored on a regular basis.

The carrying amount of financial assets represents the maximum exposure to credit risk.

Trade and other receivables

Analysis of the aging of receivables:

	31 December 2015	31 December 2014	1 January 2014
Not past due	421,456	443,421	183,022
Past due less than 90 days	10,761	21,531	8,291
Past due from 90 to 180 days	3,030	1,692	2,042
Past due from 180 to 270 days	575	667	2,490
Past due from 270 to 365 days	1,040	119	5,759
Past due more than 365 days	3,627	4,381	3,896
Total trade and other receivables	440,489	471,811	205,500

Not past due accounts receivable are not considered of high credit risk.

Note 36. Capital and risk management (continued)

Allowance for doubtful accounts receivable changed as follows:

	2015	2014
1 January	14,505	8,850
Increase in allowance for doubtful debts charged to profit and loss	4,093	3,871
Write-off	(1,113)	(812)
Foreign currency translation differences	1,418	2,649
Other	18	(53)
31 December	18,921	14,505

Financial instruments used by the Group and potentially exposed to concentrations of credit risk consist primarily of cash equivalents, over-the-counter production contracts and trade receivables. The cash and cash equivalents are held with banks, which are generally highly rated.

The credit risk from the Group's over-the-counter derivative contracts, such as forwards and swaps, derives from the counterparty to the transaction, typically a major bank or financial institution. Individual counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant non-performance. The Group also uses futures contracts, but futures have a negligible credit risk because they are traded on the New York Mercantile Exchange or the Intercontinental Exchange (ICE Futures).

Liquidity risk

The Group's liquidity is managed on a centralized basis. There is an efficient global system in place to manage the Group's liquidity, which includes an automated system of concentrating and re-distributing the funds, corporate dealing and also rolling cash-flow forecasts. The liquidity indicators are monitored on a continuous basis.

Contractual maturities of the Group's financial liabilities (the Group itself determines the grouping of the maturity based on contractual maturities and, where relevant, on judgment):

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	449,150	512,839	74,907	60,124	294,403	83,405
Bonds, including interest expense	410,286	515,040	21,134	57,575	271,136	165,195
Finance lease obligations	4,365	6,665	1,519	1,094	3,070	982
Trade and other payables	380,650	380,650	380,036	350	103	161
Derivative financial liabilities	10,827	10,827	10,827	-	-	-
31 December 2015	1,255,278	1,426,021	488,423	119,143	568,712	249,743

Note 36. Capital and risk management (continued)

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	354,385	408,505	51,943	42,493	268,794	45,275
Bonds, including interest expense	400,273	499,493	102,220	16,303	188,233	192,737
Finance lease obligations	5,128	7,690	1,351	1,254	3,120	1,965
Trade and other payables	394,900	394,900	393,198	1,339	331	32
Derivative financial liabilities	2,602	2,602	2,602	-	-	-
31 December 2014	1,157,288	1,313,190	551,314	61,389	460,478	240,009

	Carrying amount	Contractual cash flows (undiscounted)	Less than 12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings, including interest expense	88,102	96,825	13,700	10,538	65,213	7,374
Bonds, including interest expense	261,566	331,699	42,098	68,093	89,902	131,606
Finance lease obligations	1,547	1,547	1,067	480	-	-
Trade and other payables	234,521	234,521	233,297	569	89	566
Derivative financial liabilities	4,002	4,002	4,002	-	-	-
1 January 2014	589,738	668,594	294,164	79,680	155,204	139,546

Currency risk

The Group is subject to foreign exchange risks since it operates in a number of countries. The exchange rate of the Russian ruble to the US dollar produces the greatest impact on transaction results, since the Group's export proceeds are denominated in dollars, while the major costs are incurred in Russia and are denominated in Russian rubles.

As part of the centralized approach to management of the treasury operations and liquidity of the Group, the risks associated with unfavorable changes in the exchange rates are generally consolidated at the corporate level. In a number of cases currency risks at trading floors are minimized due to the financial derivative operations conducted as part of the corporate dealing process. Moreover, to mitigate its foreign exchange risks, the loans to Group companies are granted in local currencies as part of inter-group financing.

Note 36. Capital and risk management (continued)

The carrying amounts of the Group's assets and liabilities denominated in foreign currencies at 31 December 2015, 31 December and 1 January 2014 were as follows:

31 December 2015	USD	EUR	Other currencies
Financial assets:			
Trade and other receivables	348,472	31,032	21,893
Loans	85,066	7	39
Other financial assets	378	3,972	2,037
Financial liabilities:			
Loans and borrowings	360,470	75,075	11,882
Bonds	407,209	-	-
Trade and other payables	240,100	35,203	21,554
Net exposure	(573,863)	(75,267)	(9,467)

31 December 2014	USD	EUR	Other currencies
Financial assets:			
Trade and other receivables	377,331	21,161	20,863
Loans	68,575	4,490	-
Other financial assets	241	277	1,508
Financial liabilities:			
Loans and borrowings	245,604	38,316	6,244
Bonds	397,815	-	-
Trade and other payables	260,117	30,979	17,297
Net exposure	(457,389)	(43,367)	(1,170)

1 January 2014	USD	EUR	Other currencies
Financial assets:			
Trade and other receivables	126,773	17,795	15,715
Loans	35,129	6,579	-
Other financial assets	667	143	58
Financial liabilities:			
Loans and borrowings	65,804	16,220	1,708
Bonds	261,344	-	-
Trade and other payables	130,113	21,589	10,831
Net exposure	(294,692)	(13,292)	3,234

The following exchange rates applied:

	31 December 2015	31 December 2014	1 January 2014
USD	72.88	56.26	32.73
EUR	79.70	68.34	44.97

Note 36. Capital and risk management (continued)

Sensitivity analysis

Analysis of the currency position shows that the Group mainly uses RUR, US dollar and EUR in its operating activity. Thus sensitivity analysis shows how strengthening (weakening) of these

currencies at 31 December 2015 and 2014 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit (loss) before taxes. The analysis assumes that all other variables remain constant.

	Profit (loss)	
	2015	2014
US Dollar (increase by 10%)	50,513	9,958
Euro (increase by 10%)	(2,204)	875
Russian ruble (increase by 10%)	(43,682)	(9,659)

The weakening of these currencies by 10% will have equal effect on profit (loss) but with opposite sign.

Interest rate risk

The Group is exposed to a significant interest rate risk both in the short- and long-term. A change in interest rates may affect the cost of funds borrowed by the Group as well as the size of cash flows.

To mitigate this risk, the Group is constantly monitoring market conditions, taking measures to improve the debt structure by reaching an optimum balance between fixed and variable interest rates, controlling the need for additional financing and outstanding debt refinancing, extending the term of debt obligations.

The interest rate profiles of the Group are presented below:

	31 December 2015	31 December 2014	1 January 2014
<i>Fixed rate instruments:</i>			
Financial assets	87,650	81,269	47,124
Financial liabilities	443,930	421,786	264,424
Net exposure	(356,280)	(340,517)	(217,300)
<i>Variable rate instruments:</i>			
Financial assets	30,037	16,283	10,973
Financial liabilities	415,783	334,332	84,754
Net exposure	(385,746)	(318,049)	(73,781)

Note 36. Capital and risk management (continued)

Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at 31 December 2015 and 2014 would have increased (decreased) profit (loss) before taxes by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit (loss) before taxes	
	100 bp increase	100 bp decrease
2015		
Net financial liabilities	(3,857)	3,857
2014		
Net financial liabilities	(3,180)	3,180

Capital management

The Group's capital management objectives are to secure the ability to continue as a going concern and to optimize the cost of capital in order to enhance value to shareholders. The Company's management performs regular assessment of the net debt to capital ratio to ensure it meets the Company's current rating requirements. The capital consists of debt obligations, which include long

and short-term loans and borrowings, equity that includes share capital, reserves and retained earnings, as well as non-controlling interests. Net debt is a non-IFRS measure and is calculated as a sum of loans and borrowings, as presented in the consolidated statement of financial position, less cash and cash equivalents. Net debt to equity ratio enables the users to see how significant net debt is.

The Group's net debt to equity ratio was as follows:

	31 December 2015	31 December 2014	1 January 2014
Total debt	859,713	756,118	349,178
Less cash and cash equivalents	(257,263)	(169,023)	(43,092)
Net debt	602,450	587,095	306,086
Equity	3,231,374	3,049,542	2,655,702
Net debt to equity ratio, %	18.64%	19.25%	11.53%

IFRS do not require the information on oil and gas reserves to be disclosed in consolidated financial statements. However, management believes that this supplementary information will benefit the users of consolidated financial statements of the Group.

The information on oil and gas exploration and production activities is presented in six separate tables:

- I. Capitalised costs relating to oil and gas producing activities.
- II. Costs incurred in oil and gas property acquisition, exploration, and development activities.
- III. Results of operations for oil and gas producing activities.
- IV. Reserve quantity information.
- V. Standardised measure of discounted future net cash flows.
- VI. Principal sources of changes in the standardised measure of discounted future net cash flows.

Amounts shown for equity companies represent the Group's share in its exploration and production affiliates, which are accounted for using the equity method of accounting.

I. Capitalised costs relating to oil and gas producing activities

31 December 2015	International	Russia	Total consolidated companies	Group's share in equity companies
Unproved oil and gas properties	65,722	54,024	119,746	18,401
Proved oil and gas properties	1,048,932	2,063,995	3,112,927	175,507
Accumulated depreciation, depletion, and amortisation	(621,362)	(331,892)	(953,254)	(57,153)
Net capitalised costs	493,292	1,786,127	2,279,419	136,755

31 December 2014	International	Russia	Total consolidated companies	Group's share in equity companies
Unproved oil and gas properties	89,620	100,186	189,806	20,885
Proved oil and gas properties	634,075	1,732,292	2,366,367	144,822
Accumulated depreciation, depletion, and amortisation	(286,015)	(158,113)	(444,128)	(50,669)
Net capitalised costs	437,680	1,674,365	2,112,045	115,038

II. Costs incurred in oil and gas property acquisition, exploration, and development activities

2015	International	Russia	Total consolidated companies	Group's share in equity companies
Acquisition of properties – proved	-	191	191	-
Acquisition of properties – unproved	8,286	2,566	10,852	-
Exploration costs	50,217	19,424	69,641	1,628
Development costs	137,374	273,064	410,438	12,945
Total costs incurred	195,877	295,245	491,122	14,573

2014	International	Russia	Total consolidated companies	Group's share in equity companies
Acquisition of properties – proved	-	38	38	-
Acquisition of properties – unproved	-	3,497	3,497	-
Exploration costs	25,068	18,874	43,942	679
Development costs	110,143	309,082	419,225	17,177
Total costs incurred	135,211	331,491	466,702	17,856

III. Results of operations for oil and gas producing activities

The Group's results of operations for oil and gas producing activities are presented below. Sales and transfers to Group companies are based on market prices, income taxes are based on statutory rates. The results of operations exclude corporate overhead and interest costs.

2015	International	Russia	Total consolidated companies	Group's share in equity companies
Revenue				
Sales	291,473	708,403	999,876	43,173
Transfers	-	588,750	588,750	1,349
Total revenues	291,473	1,297,153	1,588,626	44,522
Production costs (excluding production taxes)	(61,801)	(155,373)	(217,174)	(8,690)
Exploration expense	(28,495)	(682)	(29,177)	(1)
Depreciation, depletion, and amortisation, and valuation provision	(149,213)	(125,595)	(274,808)	(6,662)
Taxes other than income taxes	(895)	(695,694)	(696,589)	(11,029)
Related income taxes	(6,348)	(53,989)	(60,337)	(9,268)
Total results of operations for producing activities	44,721	265,820	310,541	8,872

2014	International	Russia	Total consolidated companies	Group's share in equity companies
Revenue				
Sales	197,793	729,667	927,460	72,862
Transfers	-	558,108	558,108	1,119
Total revenues	197,793	1,287,775	1,485,568	73,981
Production costs (excluding production taxes)	(31,227)	(142,582)	(173,809)	(8,910)
Exploration expense	(11,149)	(1,079)	(12,228)	(53)
Depreciation, depletion, and amortisation, and valuation provision	(125,042)	(115,636)	(240,678)	(13,122)
Taxes other than income taxes	(1,074)	(793,492)	(794,566)	(24,788)
Related income taxes	(11,184)	(39,022)	(50,206)	(10,261)
Total results of operations for producing activities	18,117	195,964	214,081	16,847

IV. Reserve quantity information

Proved reserves are the estimated quantities of oil and gas reserves which according to geological and engineering data are going to be recoverable with reasonable certainty in future years from known reservoirs under existing economic and operating conditions. Existing economic and operating conditions are based on the 12-months average price and the year-end costs. Proved reserves do not include additional quantities of oil and gas reserves that may result from applying secondary or tertiary recovery techniques not yet tested and determined to be economic.

Proved developed reserves are the quantities of proved reserves expected to be recovered through existing wells with existing equipment and operating methods.

Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available.

Management has included within proved reserves significant quantities which the Group expects to produce after the expiry dates of certain of its current production licenses in the Russian Federation. The Subsoil Law of the Russian Federation states that, upon expiration, a license is subject to renewal at the initiative of the license holder provided that further exploration, appraisal, production or remediation activities are necessary and provided that the license holder has not violated the terms of the license. Since the law applies to both newly issued and old licenses and the Group has currently renewed 57% of its licenses, management believes that licenses will be renewed upon their expiration for the remainder of the economic life of each respective field.

Estimated net proved oil and gas reserves and changes thereto for 2015 and 2014 are shown in the tables set out below.

Millions of barrels	Consolidated subsidiaries			Group's share in equity companies
	International	Russia	Total	
Crude oil				
1 January 2014	334	12,831	13,165	296
Revisions of previous estimates	38	(2)	36	32
Purchase of hydrocarbons in place	-	18	18	-
Extensions and discoveries	50	729	779	1
Production	(55)	(644)	(699)	(28)
Sales of reserves	-	-	-	(6)
31 December 2014	367	12,932	13,299	295
Revisions of previous estimates	241	(969)	(728)	(1)
Purchase of hydrocarbons in place	-	12	12	-
Extensions and discoveries	22	446	468	39
Production	(88)	(636)	(724)	(25)
Sales of reserves	-	(5)	(5)	(45)
31 December 2015	542	11,780	12,322	263
Proved developed reserves				
31 December 2014	167	8,280	8,447	182
31 December 2015	240	7,986	8,226	142

The non-controlling interest share included in the above total proved reserves was 75 million barrels and 77 million barrels at 31 December 2015 and 2014, respectively. The non-controlling interest share included in the above proved developed reserves

was 42 million barrels and 41 million barrels at 31 December 2015 and 2014, respectively. All non-controlling interests relate to reserves in the Russian Federation.

Billions of cubic feet	Consolidated subsidiaries			Group's share in equity companies
	International	Russia	Total	
Natural gas				
1 January 2014	5,792	17,565	23,357	285
Revisions of previous estimates	1,024	(127)	897	14
Purchase of hydrocarbons in place	-	7	7	-
Extensions and discoveries	29	182	211	-
Production	(207)	(584)	(791)	(34)
31 December 2014	6,638	17,043	23,681	265
Revisions of previous estimates	719	(216)	503	17
Purchase of hydrocarbons in place	-	4	4	-
Extensions and discoveries	7	227	234	4
Production	(246)	(568)	(814)	(33)
Sales of reserves	-	-	-	(23)
31 December 2015	7,118	16,490	23,608	230
Proved developed reserves:				
31 December 2014	1,761	5,783	7,544	180
31 December 2015	2,305	5,596	7,901	153

The non-controlling interest share included in the above total proved reserves was 27 billion cubic feet and 28 billion cubic feet at 31 December 2015 and 2014, respectively. The non-controlling

interest share included in the above proved developed reserves was 15 billion cubic feet at 31 December 2015 and 2014. All non-controlling interests relate to reserves in the Russian Federation.

V. Standardised measure of discounted future net cash flows

Estimated future cash inflows from hydrocarbons production are computed by applying the 12-months average price for oil and gas to year-end quantities of estimated net proved reserves. Adjustments in this calculation for future price changes are limited to those required by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax net cash flows, less the tax bases of related assets. Discounted future net cash flows have been calculated using

a ten percent discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided in the tables set out below does not represent management's estimate of the Group's expected future cash flows or of the value of the Group's proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation requires assumptions as to the timing and amount of future development and production costs. The calculations should not be relied upon as an indication of the Group's future cash flows or of the value of its oil and gas reserves.

31 December 2015	International	Russia	Total consolidated companies	Group's share in equity companies
Future cash inflows	3,521,611	29,732,395	33,254,006	811,774
Future production and development costs	(2,465,625)	(20,047,452)	(22,513,077)	(534,151)
Future income tax expenses	(102,752)	(1,672,136)	(1,774,888)	(55,511)
Future net cash flows	953,234	8,012,807	8,966,041	222,112
Discount for estimated timing of cash flows (10% p.a.)	(611,200)	(4,450,284)	(5,061,484)	(120,888)
Discounted future net cash flows	342,034	3,562,523	3,904,557	101,224
Non-controlling share in discounted future net cash flows	-	23,273	23,273	-

31 December 2014	International	Russia	Total consolidated companies	Group's share in equity companies
Future cash inflows	3,501,705	46,537,136	50,038,841	1,352,951
Future production and development costs	(2,249,144)	(32,324,492)	(34,573,636)	(793,128)
Future income tax expenses	(143,934)	(2,606,596)	(2,750,530)	(111,113)
Future net cash flows	1,108,627	11,606,048	12,714,675	448,710
Discount for estimated timing of cash flows (10% p.a.)	(677,776)	(6,475,557)	(7,153,333)	(221,272)
Discounted future net cash flows	430,851	5,130,491	5,561,342	227,438
Non-controlling share in discounted future net cash flows	-	28,458	28,458	-

VI. Principal sources of changes in the standardised measure of discounted future net cash flows

Consolidated companies	2015	2014
Discounted present value at January 1	5,561,342	2,677,805
Net changes due to purchases and sales of minerals in place	1,779	7,608
Sales and transfers of oil and gas produced, net of production costs	(645,686)	(504,965)
Net changes in prices and production costs estimates	(6,539,985)	10,274,029
Net changes in mineral extraction taxes	4,769,427	(6,954,662)
Extensions and discoveries, less related costs	142,856	317,673
Previously estimated development cost incurred during the year	374,236	336,963
Revisions of previous quantity estimates	(390,502)	76,374
Net change in income taxes	430,241	(632,932)
Accretion of discount	625,761	304,496
Other changes	(424,912)	(341,047)
Discounted present value at 31 December	3,904,557	5,561,342

Group's share in equity companies	2015	2014
Discounted present value at 1 January	227,438	154,020
Net changes due to purchases and sales of minerals in place	(23,455)	(5,136)
Sales and transfers of oil and gas produced, net of production costs	(24,802)	(40,230)
Net changes in prices and production costs estimates	(187,167)	188,856
Net changes in mineral extraction taxes	86,150	(86,048)
Extensions and discoveries, less related costs	10,502	450
Previously estimated development cost incurred during the year	15,585	12,998
Revisions of previous quantity estimates	(173)	16,934
Net change in income taxes	24,987	(9,175)
Accretion of discount	25,447	10,386
Other changes	(53,288)	(15,617)
Discounted present value at 31 December	101,224	227,438

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following report contains a discussion and analysis of the financial position of PJSC "LUKOIL" at 31 December 2015 and the results of its operations for each of the years ended 31 December 2015 and 2014, as well as significant factors that may affect its future performance. It should be read in conjunction with our International Financial Reporting Standards ("IFRS") consolidated financial statements, including notes and supplementary information on oil and gas exploration and production activities.

References to "LUKOIL," "the Company," "the Group," "we" or "us" are references to PJSC "LUKOIL" and its subsidiaries and equity affiliates. All ruble amounts are in millions of Russian rubles ("RUB"), unless otherwise indicated. International income and expenses are translated at rates which approximate actual rates at the date of the transaction. Tonnes of crude oil and natural gas liquids produced are translated into barrels using conversion rates

characterizing the density of crude oil from each of our oilfields and the actual density of liquids produced at our gas processing plants. Tonnes of crude oil purchased as well as other operational indicators expressed in barrels were translated into barrels using an average conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet were made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil into barrels of oil equivalent ("BOE") were made at the rate of 1 barrel per BOE and of cubic feet – at the rate of 6 thousand cubic feet per BOE.

This report includes forward-looking statements – words such as "believes," "anticipates," "expects," "estimates," "intends," "plans," etc. – that reflect management's current estimates and beliefs, but are not guarantees of future results. Please see "Forward-looking statement" on page 261 for a discussion of some factors that could cause actual results to differ materially.

KEY FINANCIAL AND OPERATIONAL RESULTS

	2015	2014	Change, %
	(millions of rubles)		
Sales	5,749,050	5,504,856	4.4
Profit for the year attributable to LUKOIL shareholders	291,135	395,525	(26.4)
Adjusted profit for the year attributable to LUKOIL shareholders ⁽¹⁾	452,265	483,078	(6.4)
EBITDA	768,931	798,084	(3.7)
Adjusted EBITDA ⁽¹⁾	946,434	890,211	6.3
Taxes other than income taxes, excise and export tariffs	(1,098,129)	(1,275,133)	(13.9)
	(rubles)		
Earning per share of common stock attributable to LUKOIL:			
Basic	408.36	554.79	(26.4)
Diluted	405.15	541.90	(25.2)
Hydrocarbon production by the Group including our share in equity affiliates (thousands of BOE)	868,325	844,469	2.8
Daily hydrocarbon production by the Group including our share in equity affiliates (thousands of BOE per day)	2,379	2,314	2.8
Crude oil and natural gas liquids produced by the Group including our share in equity affiliates (thousands of barrels)	749,150	726,955	3.1
Crude oil produced by the Group including our share in equity affiliates (thousands of tonnes)	100,688	97,208	3.6
Gas available for sale produced by the Group including our share in equity affiliates (millions of cubic meters)	20,251	19,968	1.4
Refined products produced by the Group including our share in equity affiliates (thousands of tonnes)	60,900	64,118	(5.0)
Hydrocarbon proved reserves including our share in equity affiliates (millions of BOE)	16,558	17,585	(5.8)

⁽¹⁾Adjusted for losses on disposal and impairment of assets and dry hole write-offs.

Our financial results for 2015 and 2014 were significantly affected by sharp decrease in international crude oil prices and ruble devaluation. As a result, decrease in export sales and international revenue was partially compensated for by the effect of the ruble

devaluation. Moreover, the weakening of ruble led to sizeable currency translation gains. Nevertheless, adverse changes in macroeconomic environment as a result of the decrease in crude oil prices triggered the correction of the value of certain assets

in accordance with amended economic parameters. As a result, the Group recognized impairment losses and write-offs in the total amount of 161 billion RUB in 2015 and 88 billion RUB in 2014 (net of tax). In 2015, our net income, adjusted for those write-offs, decreased by 31 billion RUB, or by 6.4%, compared to 2014, and our adjusted EBITDA increased by 56 billion, or by 6.3%. In 2015, our free cash flow was 248 billion RUB, a significant increase from 72 billion RUB in 2014.

Non-recurring losses and gains

As a result of impairment tests in 2014 and 2015 and against the background of sharp decrease in crude oil prices and overall adverse economic environment, the Group recognized losses on assets impairment and dry hole write-offs. Table below sets forth summary of data on these losses in the context of consolidated statement of profit and loss and their impact on the Group's profit for 2014 and 2015. :

	2015	2014
	(millions of rubles)	
Impairment losses included in <i>Other expense</i>		
Impairment losses in Exploration and Production segment	124,613	65,328
Impairment losses in Refining, Marketing and Distribution segment	45,695	17,572
Other write-offs in Exploration and Production segment	16,742	–
Total impairment losses and write-offs included in <i>Other expense</i>	187,050	82,900
Dry holes write-offs included in <i>Exploration expenses</i>	24,816	9,227
Impairment losses included in <i>Equity share in income of affiliates</i>	2,568	–
Foreign exchange gain reclassified from other comprehensive income after the sale of Caspian Investment Resources Ltd included in <i>Other expense</i>	(36,931)	–
Total non-recurring losses and gains	177,503	92,127
Deferred tax effect	(16,373)	(4,574)
Total non-recurring losses and gains (after tax)	161,130	87,553

In 2015, the Company recognized an impairment loss in respect of its exploration and production assets in the total amount of 141 billion RUB. Of these impairment losses, 67 billion RUB related to our projects in Africa, 38 billion RUB in Western Siberia, 10 billion RUB in other regions of Russia and 26 billion RUB in other regions outside Russia.

In the Refining, marketing and distribution segment, we recognized impairment losses in related to our international subsidiaries in amount of 27 billion RUB and to our subsidiaries in Russia in amount of 19 billion RUB.

Dry hole write-offs primarily related to our offshore projects in Romania.

In 2015, the cumulative impact of the above mentioned impairment losses and write-offs on the net profit attributable to LUKOIL shareholders totaled 161 billion RUB and on our EBITDA – 178 billion RUB.

In 2014, the Company recognized an impairment loss for its exploration and production assets related to the Tsentralno-Astrakhanskoe gas-condensate field in the Volga region of the Russian Federation in amount of 24 billion RUB and to other projects in Russia in amount of 14 billion RUB. Impairment losses and write-offs related to upstream projects outside of Russia totaled 20 billion RUB. Moreover, the Group wrote off signing bonuses in the total amount of 7 billion RUB related to projects in Ghana, Sierra Leone and Cote d'Ivoire.

In 2014, dry hole write-offs primarily related to our projects in West Africa.

In 2014, the cumulative impact of the above mentioned impairment losses and write-offs on the net profit attributable to LUKOIL shareholders totaled 88 billion RUB and on our EBITDA – 92 billion RUB.

Transition to IFRS

The Group's consolidated financial statements for 2015 are the first financial statements prepared in accordance with IFRS. The date of transition to IFRS is 1 January 2015. The transition from accounting principles generally accepted in the United States of America ("US GAAP") to IFRS was due to the requirements of Russian legislation. The presentation currency of our IFRS consolidated financial statements is the Russian ruble.

Some requirements and principles of accounting for certain operations under IFRS differ from those under US GAAP. Cases where the effect of these differences on the Group's financial results is significant are covered in this document.

The Group made a number of assumptions in respect of the transitions to IFRS. Principal factors and assumptions that affect our financial statements significantly with the transitions to IFRS are as follows.

Change of functional currency. Under US GAAP, the US dollar was the functional currency of all the Group companies. Therefore, translation differences were based on the net monetary position in currencies other than the US dollar. IFRS requirements for determining functional currency differ from those of US GAAP. Under IFRS, the majority of the Group companies have their local currency as functional currency (i.e., ruble for Russian subsidiaries). As a result, translation differences arise from recalculation of the value of assets and liabilities denominated in foreign currency to the functional currency of each subsidiary. At the same time, translation differences arising from the recalculation of subsidiaries' financial statements to the Group's presentation currency, Russian ruble, are included in other comprehensive income.

Property, plant and equipment valuation. We engaged an independent appraiser to measure the fair value of property, plant and equipment of major subsidiaries at the date of the transition to IFRS. The result of this assessment (the fair value of property, plant and equipment) was used as the deemed cost of property, plant and equipment. At the same time, the value of each subsidiary's property, plant and equipment is fixed in its functional currency, whereas under US GAAP, historical cost of property, plant and equipment was fixed in US dollars.

Impairment of assets. According to the US GAAP, impairment test is performed in two steps. During the first step, the carrying amount of assets is compared to the estimated undiscounted future cash flows expected to be generated by that assets. If the carrying amount of assets exceeds the undiscounted future cash flows (impairment indicator exists), during the second step, an impairment loss is recognized in the amount of excess of the assets' carrying amount over their estimated fair value, generally determined as discounted future net cash flows. Impairment reversal is not allowed.

According to the IFRS, the impairment test is performed in one step, when the carrying amount of assets is compared to their estimated fair value (or discounted future net cash flows). Impairment charge is also recognized in the amount of excess of the assets' carrying amount over the discounted future net cash flows. Impairment reversal is allowed (except for impairment of goodwill).

Changes in accounting of joint arrangements. The Group analyzed its participation in joint arrangements and determined the list of jointly controlled operations and jointly controlled ventures to be accounted for in accordance with IFRS. The Group's share in jointly controlled operations is recognized using the proportionate consolidation method based on the proportionate share of assets, liabilities, expenses and income from the joint operations. Interests in jointly controlled ventures are accounted for under the equity method. In some cases, the method of accounting for joint ventures required by IFRS differs from that required by US GAAP. According to IFRS, the Group's 50% share in Caspian Investment Resources Ltd was accounted for as joint venture rather than proportionately consolidate as was required by US GAAP. Under IFRS, the Group uses the proportionate consolidation method to account for its 45% share in the Zeeland refinery, whereas it was accounted for as an equity affiliate under US GAAP.

See Note 34 "First-time adoption of IFRS" to our consolidated financial statements for 2015 for a detailed reconciliation of IFRS and US GAAP financial statements.

For convenient analysis of the Group's consolidated financial statements, page 257 of this report contains selected unaudited quarterly data derived from IFRS statements of profit and loss and other comprehensive income, statements of cash flows and breakdown of capital expenditures for the four quarters of 2015.

Business overview

The primary activities of LUKOIL and its subsidiaries are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of a vertically integrated group of companies.

LUKOIL was established in accordance with Presidential Decree No. 1403, issued on 17 November 1992. Under this decree, on 5 April 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on 1 September 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of 24 founding subsidiaries to 100%. From formation, the Group has expanded substantially through consolidation of interests, acquisition of new companies and establishment of new businesses. Now LUKOIL is a global energy company operating through its subsidiaries in 35 countries on four continents.

In July 2015, the Company changed its legal form to Public Joint Stock Company ("PJSC") following the requirements of the amended Russian Civil Code.

LUKOIL is one of the world's largest energy companies in terms of hydrocarbon reserves that amounted to 16.6 billion BOE at 1 January 2016 and comprised of 12.6 billion barrels of crude oil and 23.8 trillion cubic feet of gas.

Our operations are divided into three main business segments:

- **Exploration and Production** – which includes our exploration, development and production operations relating to crude oil and gas. These activities are primarily located within Russia, with additional activities in Azerbaijan, Kazakhstan, Uzbekistan, the Middle East, Northern and Western Africa, Norway, Romania and Mexico.
- **Refining, Marketing and Distribution** – which includes refining, petrochemical and transport operations, marketing and trading of crude oil, natural gas and refined products, generation, transportation and sales of electricity, heat and related services.
- **Corporate and other.**

Each of our three main segments is dependent on the other, with a portion of the revenues of one segment being a part of the costs of the other. In particular, our Refining, Marketing and Distribution segment purchases crude oil from our Exploration and Production segment. As a result of certain factors considered in the "Domestic crude oil and refined products prices" section on page 240, benchmarking crude oil market prices in Russia cannot be determined with certainty. Therefore, the prices set for inter-segment purchases of crude oil reflect a combination of market factors, primarily international crude oil market prices, transportation costs, regional market conditions, the cost of crude oil refining and other factors. Accordingly, an analysis of either of these segments on a stand-alone basis could give a misleading impression of those segments' underlying financial position and results of operations. For this reason, we do not analyse either of our main segments separately in the discussion that follows. However, we present the financial data for each in Note 32 "Segment information" to our consolidated financial statements.

RECENT DEVELOPMENTS AND OUTLOOK

The following has been achieved in 2015:

Exploration and production

- 14 new oil and gas fields were brought into production (2014 – 17 oil and gas fields).
- 18 new oilfields discovered, including three on the Baltic offshore, best result since 2001.
- Crude oil production increased by 3.6% as a result of development of the West Qurna-2 oilfield in Iraq and other new projects. For the first time in the Group's history, the production exceeded 100 million tonnes.

Refining

- Completion of modernization cycle: putting in operation catalytic cracking units at the Burgas and Nizhny Novgorod refineries, a coking unit at the Perm refinery and a preliminary distillation unit at our refinery in Volgograd.

Power generation

- Putting in operation combined cycle gas turbine with a capacity of 135 GW at our Budennovsk power plant.

These and other achievements in 2015 are described in detail further in this report.

Changes in Group structure

On 15 April 2014, a Group company entered into a contract with a Sinopec group company, to sell the Group's 50% interest in Caspian Investment Resources Ltd, an exploration and production company operating in Kazakhstan. On 3 June 2015, a Group company made a substitute transaction with a Sinopec group company for the sale at a price of \$1,067 million (70.1 billion RUB). The transaction's closing was subject to requisite governmental consents and approvals and was completed on 20 August 2015.

In April 2015, in line with the strategy to optimize the downstream portfolio, a Group company sold a 100% interest in LUKOIL Ukraine, a distribution company operating in Ukraine, to AMIC Energy Management GmbH. Also, in December 2014, Group companies sold 100% of their shares in LUKOIL Slovakia s.r.o., LUKOIL Hungary Ltd and LUKOIL Czech Republic s.r.o. to Slovnaft Česká Republika, Spol. s.r.o. and Norm Benzinkút Kft at the price of €98 million (approximately 5.8 billion RUB).

In March 2015, a Group company closed a transaction to enter a project to develop the Etinde block, offshore from the Republic of Cameroon in the Gulf of Guinea. The Etinde project is being executed under a production sharing agreement. The project partners are LUKOIL (30% interest), New Age (African Global Energy) Ltd (30% interest, operator), Bowleven Plc (20% interest), and state-owned Societe Nationale des Hydrocarbures of Cameroon (20% interest). The license to develop the Etinde area was issued on 29 July 2014 and is valid for 20 years.

In December 2014, LUKOIL sold to Rosneft its 20% share in National oil consortium ("NOC"), established by Russian oil companies in 2008 as a development of economic cooperation between Russia and Venezuela. In 2010, NOC and PDVSA, the Venezuelan state-owned oil company, established a joint venture, PetroMiranda, to develop the "Junin-6" block in the Orinoko river basin.

West Qurna-2 project

On 12 December 2009, a consortium of a Group company and Statoil won the tender for development of the West Qurna-2 field in Iraq, one of the largest crude oil fields discovered in the world, with estimated recoverable oil reserves of 12.9 billion barrels (1.8 billion tonnes). The service agreement for West Qurna-2 field development and production was signed on 31 January 2010 and then ratified by the Ministry cabinet of the Iraq Republic. After Statoil withdrew from the West Qurna-2 project in May 2012, the parties of the project are Iraq's state-owned South Oil Company and a consortium of contractors, consisting of a Group company (75% interest) and Iraq's state-owned North Oil Company (25% interest).

The Group launched the "Mishrif Early Oil" stage on the West Qurna-2 field and reached the planned production of 120 thousand barrels per day in March 2014. According to the service agreement, costs are compensated after this level of production is achieved and maintained during any 90 days within a 120-day period. In June 2014, we met this term and from the second quarter of 2014 started to receive cost compensation. The project's target production level is 1.2 million barrels per day and the total term of the contract is 25 years.

Accounting for the cost compensation within the West Qurna-2 project in the Group consolidated statement of profit or loss and other comprehensive income is as follows. The crude oil sales revenue is recognized after the Iraqi party has approved the actual invoice for the spending quarter. The invoice total amount depends on crude oil production volumes and the market prices for crude oil during the period. It also includes our remuneration fee.

Subsequently, crude oil purchases are recognized based on actual crude oil shipments by the Iraqi party against its debt for cost compensation in *Cost of purchased crude oil, gas and products*. This crude oil is either sold to third party customers or delivered to our refineries. After realization of these products, respective sales revenues are recognized.

The West Qurna-2 project's summary is presented below:

	2015		2014	
	(thousand barrels)	(thousand tonnes)	(thousand barrels)	(thousand tonnes)
Total production	140,071	20,418	72,676	11,030
Production related to cost compensation and remuneration	73,574	10,725	41,749	6,087
Shipment of compensation crude oil ⁽¹⁾	71,802 ⁽²⁾	10,467	29,746 ⁽²⁾	4,337
	(millions of rubles)	(millions of US dollars)	(millions of rubles)	(millions of US dollars)
Cost compensation	176,791	2,928	138,934	3,616
Remuneration fee	8,087	132	2,536	66
Cost of compensation crude oil, received as debt settlement (included in Cost of purchased crude oil, gas and products) ⁽¹⁾	184,665	3,068	80,686	2,100
Extraction expenses	47,277	780	26,473	689
Depreciation, depletion and amortization	127,071	2,109	114,497	2,980
EBITDA	137,285	2,275	117,417	3,056

⁽¹⁾ This crude oil is sold to third party customers or delivered to our refineries. After realization of these products, respective sales revenues are recognized.

⁽²⁾ Translated into barrels using conversion rates characterizing the density of the field.

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors the risks associated with the projects in Iraq and believes that there is no adverse effect on the Group's financial position that can be reasonably estimated at present.

Sectorial sanctions against the Russian companies

In July-September 2014, the United States ("US"), the European Union ("EU") and other countries imposed a number of sectorial sanctions on Russian entities, including the Company. These sanctions prohibit US and the EU companies and individuals from the provision of goods, services or technology (except for financial services to the Company) that can be used on the territory of the Russian Federation in exploration and production of crude oil in deepwater, Arctic offshore and shale projects. The Company considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Company's financial position and results of operations.

RESOURCE BASE

The table below summarizes the net proved reserves of consolidated subsidiaries and our share in equity affiliates under the standards

of the US Securities and Exchange Commission (until the economic limit of commercial production is reached) that have been derived from our reserve reports audited by Miller and Lents Ltd, our independent reservoir engineers, at 1 January 2016 and 2015.

(millions of BOE)	1 January 2016	Changes in 2015			1 January 2015
		Production ⁽¹⁾	Extensions, discoveries and changes in structure	Revision of previous estimates	
Western Siberia	8,718	(406)	215	(677)	9,586
Timan-Pechora	2,374	(136)	210	(191)	2,491
Ural region	2,215	(124)	69	(33)	2,303
Volga region	1,117	(57)	29	(105)	1,250
Other in Russia	193	(14)	9	2	196
Outside Russia	1,941	(153)	(26)	361	1,759
Proved oil and gas reserves	16,558	(890)	506	(643)	17,585
Probable oil and gas reserves	6,760				6,823
Possible oil and gas reserves	3,216				3,375

⁽¹⁾ Gas production shown before own consumption.

The Company's proved reserves at 1 January 2016 amount to 16,558 million BOE and comprise of 12,585 million barrels of crude oil and 23,838 billion cubic feet of gas.

The increase in proved reserves related to geological exploration and production drilling totaled 546 million BOE and was a result of the exploration activities in the traditional regions of the Group's operations in Russia and abroad. At the same time, 49 million BOE of our reserves outside of Russia was disposed off with the sale of the Group's 50% share in Caspian Investment Resources Ltd.

A nearly two-fold oil price drop affected the economic feasibility of development of some of the Group's reserves. As a result, 1,006 million BOE of proved reserves were transferred to lower categories. As soon as the economic situation improves, we expect these hydrocarbon volumes to return to the proved reserves category.

Positive revision of previous estimates outside of Russia mainly related to the West Qurna-2 project and our gas projects in Azerbaijan and Kazakhstan.

OPERATIONAL HIGHLIGHTS

Hydrocarbon production

The table below summarizes the results of our exploration and production activities.

	2015	2014
Crude oil and natural gas liquids production⁽¹⁾	(thousand BOE per day)	
Consolidated subsidiaries		
Western Siberia	914	970
Timan-Pechora	336	313
Ural region	317	308
Volga region	139	136
Other in Russia	37	38
Total in Russia	1,743	1,765
Iraq ⁽²⁾	201	114
Other regions outside Russia	40	37
Total outside Russia	241	151
Total consolidated subsidiaries	1,984	1,916
Our share in equity affiliates		
in Russia	16	11
outside Russia	52	65
Total share in equity affiliates	68	76
Total crude oil and natural gas liquids	2,052	1,992
Natural gas production available for sale⁽³⁾		
Consolidated subsidiaries		
Western Siberia	174	187
Timan-Pechora	13	14
Ural region	19	19
Volga region	6	6
Total in Russia	212	226
Total outside Russia	104	85
Total consolidated subsidiaries	316	311
Share in equity affiliates		
in Russia	1	1
outside Russia	10	10
Total share in production of equity affiliates	11	11
Total natural gas available for sale	327	322
Total daily hydrocarbon production	2,379	2,314

⁽¹⁾ Natural gas liquids produced at the Group gas processing plants.

⁽²⁾ Compensation oil that represented approximately 52% of production from the West Qurna-2 field in 2015 and 55% in 2014.

⁽³⁾ Including petroleum gas sold to third parties.

	2015	2014
	(millions of rubles)	
Hydrocarbon extraction expenses	217,174	173,809
- in Russia	155,373	142,582
- outside Russia	61,801	31,227
Exploration expenses	29,177	12,228
- in Russia	682	1,079
- outside Russia	28,495	11,149
Mineral extraction tax in Russia	470,013	420,946
	(ruble per BOE)	
Hydrocarbon extraction expenses	257.74	213.70
- in Russia	218.16	196.62
- outside Russia	473.91	354.25
	(US dollar per BOE)	
Hydrocarbon extraction expenses	4.25	5.56
- in Russia	3.60	5.12
- outside Russia	7.80	9.22

We undertake exploration for, and production of, crude oil and natural gas in Russia and internationally. In Russia, our major oil producing subsidiaries are LUKOIL-Western Siberia, LUKOIL-Komi and LUKOIL-PERM. Currently, the Group is restructuring its international

upstream segment that includes stakes in PSA's and other projects in Kazakhstan, Azerbaijan, Uzbekistan, Romania, Iraq, Saudi Arabia, Egypt, Ghana, Cote d'Ivoire, Norway, Cameroon, Nigeria and Mexico.

Crude oil production. In 2015, we produced (including the Company's share in equity affiliates) 100.7 million tonnes, or 736.5 million barrels, of crude oil.

The following table represents our crude oil production in 2015 and 2014 by major regions.

(thousands of tonnes)	2015	Change to 2014			2014
		Total, %	Change in structure	Organic change	
Western Siberia	44,205	(5.6)	–	(2,635)	46,840
Timan-Pechora	16,976	7.3	–	1,162	15,814
Ural region	15,020	3.0	–	435	14,585
Volga region	6,761	1.5	–	102	6,659
Other in Russia	1,904	(0.4)	–	(7)	1,911
Crude oil produced in Russia	84,866	(1.1)	–	(943)	85,809
Iraq ⁽¹⁾	10,725	76.2	–	4,638	6,087
Other outside of Russia	1,887	10.2	–	174	1,713
Crude oil produced internationally	12,612	61.7	–	4,812	7,800
Total crude oil produced by consolidated subsidiaries	97,478	4.1	–	3,869	93,609
Our share in crude oil produced by equity affiliates:					
in Russia	746	43.7	–	227	519
outside of Russia	2,464	(20.0)	(373)	(243)	3,080
Total crude oil produced	100,688	3.6	(373)	3,853	97,208

⁽¹⁾ Compensation oil that represented approximately 52% of production from the West Qurna-2 field in 2015 and 55% in 2014.

The main oil producing region for the Company is Western Siberia where we produced 45.3% of our crude oil in 2015 (50.0% in 2014).

Crude oil production in Western Siberia continued to decline due to natural depletion of reserves and an increase in water cut. Nevertheless, this was compensated for by the development of greenfields, successful employment of new technologies and an increase in drilling footage.

The increase in our international production was a result of commencement of commercial production at the West Qurna-2 oilfield in Iraq in the second quarter of 2014 (for details see p. 230).

The increase in our share in crude oil produced by equity affiliates in Russia was due to the commencement of production at the Trebs and Titov oilfields by Bashneft-Polus, where the Group holds a 25.1% interest.

The decrease in our share in crude oil produced by equity affiliates outside of Russia was due to the disposal of our 50% share in Caspian Investment Resources Ltd in the middle of 2015. According to IFRS, this share was accounted for as an investment in an equity affiliate, whereas under US GAAP the proportional consolidation method was applied.

In addition to our production, we purchase crude oil in Russia and on international markets. In Russia, we primarily purchase crude oil from affiliated producing companies and other producers. Then we either refine or export purchased crude oil. Crude oil purchased on international markets is normally used for trading activities, for supplying our international refineries or for processing at third party refineries.

	2015		2014	
	(thousand of barrels)	(thousand of tonnes)	(thousand of barrels)	(thousand of tonnes)
Purchases in Russia	13,238	1,806	7,579	1,034
Purchases for trading internationally	137,995	18,826	121,377	16,559
Purchases for refining internationally	92,864	12,669	88,473	12,070
The West Qurna-2 compensation crude oil	76,723	10,467	31,790	4,337
Total crude oil purchased	320,820	43,768	249,219	34,000

A significant part of our crude oil purchases is for refining. Compared to 2014, our purchases for refining at international refineries increased by 5.0% and our purchases for trading increased by 13.7% compared to 2014. Moreover, in 2015, the Group received

10.5 million tonnes of compensation crude from Iraq's state-owned South Oil Company as cost compensation within the West Qurna-2 project (in 2014, the Group received 4.3 million tonnes of compensation crude oil).

Production of gas and natural gas liquids. During 2015, we produced 20,251 million cubic meters (119.2 million BOE) of gas available for sale (including our share in equity affiliates), that is 1.4% more than in 2014.

(millions of cubic meters)	2015	Change to 2014			2014
		Total, %	Change in structure	Organic change	
Western Siberia	10,805	(6.8)	–	(791)	11,596
Timan-Pechora	813	(3.9)	–	(33)	846
Ural region	1,175	(1.1)	–	(13)	1,188
Volga region	374	(1.1)	–	(4)	378
Other in Russia	23	–	–	–	23
Gas produced in Russia	13,190	(6.0)	–	(841)	14,031
Gas produced internationally	6,450	22.5	–	1,186	5,264
Total gas produced by consolidated subsidiaries	19,640	1.8	–	345	19,295
Our share in gas produced by equity affiliates:					
in Russia	45	(13.5)	–	(7)	52
outside Russia	566	(8.9)	(43)	(12)	621
Total gas produced	20,251	1.4	(43)	326	19,968

Our major gas production field is the Nakhodkinskoe field, where we produced 7,469 million cubic meters of natural gas in 2015 (8,247 million cubic meters in 2014). Our international gas production increased by 19.2%, compared to 2014, largely resulting from the increase in production in Uzbekistan and Azerbaijan.

In 2015, the output of natural gas liquids at the Group gas processing plants in Western Siberia, Ural and Volgograd regions of Russia was 12.7 million BOE, compared to 13.9 million BOE in 2014.

Refining, marketing and trading

Refining. We own and operate four refineries located in European Russia and three refineries located outside of Russia – in Bulgaria, Romania, and Italy. Moreover, we have a 45% interest in the Zeeland refinery in the Netherlands. Under IFRS, the Group's investment in this refinery is accounted for using the proportionate consolidation method and its production volumes are included in the Group's production volumes. According to US GAAP, Zeeland was an equity affiliate and its volumes of production were included in the third party refineries total.

Compared to 2014, the total volume of refined products produced by the Group decreased by 5.0%. Production volumes decreased by 9.1% at our Russian refineries and increased by 3.7% internationally. In Russia, the decrease was a result of amendments in the tax legislation that decreased the refining margins. At the same time, in June 2015, we put in operation a preliminary distillation unit at our refinery in Volgograd with a capacity of 6 million tonnes per year.

Along with our own production of refined products we refine crude oil at third party refineries depending on market conditions and other factors. In the periods considered, we processed our crude oil at third party refineries in Belarus and Kazakhstan.

The following table summarizes key figures for our refining activities.

	2015	2014
	(thousand barrels per day)	
Refinery throughput at the Group refineries	1,295	1,337
- in Russia	840	909
- outside Russia ⁽¹⁾	455	428
Refinery throughput at third party refineries	18	37
Total refinery throughput	1,313	1,374
	(thousands of tonnes)	
Production of the Group refineries in Russia	39,692	43,673
Production of the Group refineries outside Russia	21,208	20,445
Refined products produced by the Group	60,900	64,118
Refined products produced at third party refineries	850	1,687
Total refined products produced	61,750	65,805
	(millions of RUB)	
Refining expenses at the Group refineries	94,449	84,816
- in Russia	44,145	41,280
- outside Russia	50,304	43,536
Refining expenses at third party refineries	2,604	2,900
Capital expenditures	73,325	102,400
- in Russia	55,042	73,907
- outside Russia	18,283	28,493

⁽¹⁾ Including refined product processed.

Marketing and trading. Our marketing and trading activities mainly include wholesale and bunkering operations in Western Europe, South-East Asia, Central America and retail operations in the USA, Central and Eastern Europe, the Baltic States and other regions. In Russia, we purchase refined products on occasion, primarily to manage supply chain bottlenecks.

The Group retails its refined products in 23 countries through nearly 5.1 thousand petrol stations (including franchisees). Most of the stations operate under the LUKOIL brand.

The table below summarizes figures for our trading activities.

	2015	2014
	(thousands of tonnes)	
Retail sales	19,401	20,021
Wholesale sales	105,861	98,206
Total refined products sales	125,262	118,227
Refined products purchased in Russia	1,674	2,041
Refined products purchased internationally	68,536	58,910
Total refined products purchased	70,210	60,951

In April 2015, in line with the strategy to optimize its downstream operations, a Group company sold 100% of the Group's interest in LUKOIL Ukraine, a distribution company operating in Ukraine. Also,

in December 2014, Group companies sold 100% of shares in LUKOIL Slovakia, LUKOIL Hungary and LUKOIL Czech Republic that together operated approximately 140 petrol stations.

Exports of crude oil and refined products from Russia. The volumes of crude oil and refined products exported from Russia by our subsidiaries are summarized as follows:

	2015		2014	
	(thousands of barrels)	(thousands of tonnes)	(thousands of barrels)	(thousands of tonnes)
Exports of crude oil to Customs Union	28,235	3,852	27 920	3,809
Exports of crude oil beyond Customs Union	222,334	30,332	190 756	26,024
Total crude oil exports	250,569	34,184	218 676	29,833
Exports of refined products		20,446		23,377

Following the amendments in tax legislation in the Russian oil industry, we increased our exports of crude oil and decreased the refined products exports. During 2015, the volume of our crude oil exports from Russia increased by 14.6%, and we exported 40.3% of our domestic crude oil production (34.8% in 2014) and 1,581 thousand tonnes of crude oil purchased from our affiliates and third parties (862 thousand tonnes in 2014). The volume of our refined products exports decreased by 12.5% compared to 2014. Primarily, we export diesel fuel, fuel oil and gasoil. These products accounted for approximately 77% of our exported refined products volumes.

Substantially, we use the Transneft infrastructure to export our crude oil. Nevertheless, during 2015, we exported 7,599 thousand tonnes through our own infrastructure (5,617 thousand tonnes during 2014). All the volume of crude oil exported that bypassed Transneft was routed beyond the Customs Union.

In 2015, the Company exported 1,519 thousand tonnes of light crude oil through the Eastern Siberia – Pacific Ocean pipeline compared to 1,499 thousand tonnes in 2014. This allowed us to preserve the premium quality of crude oil and thus increased the efficiency of exports, compared to exports to traditional Western markets.

During 2015, our revenue from export of crude oil and refined products from Russia both to Group companies and third parties amounted to 691 billion RUB and 440 billion RUB, respectively (716 billion RUB for crude oil and 581 billion RUB for refined products in 2014).

Power generation. In 2015, we continued to develop the power generation sector of our business as part of our strategic development program. This new sector encompasses all aspects of the power generation business, from generation to transmission and sale of heat and electrical power. Our power generation business sector now includes OOO LUKOIL-Volgogradenergo, OOO LUKOIL-Kubanenergo, OOO LUKOIL-Astrakhanenergo, OOO LUKOIL-Rostovenergo, OOO LUKOIL-Stavropolenergo, OOO LUKOIL-TTK, OOO LUKOIL-Ecoenergo, our own power generating facilities at our oil and gas fields in Russia and power generators in Bulgaria, Romania and Italy. Our total output of electrical energy was 17.8 billion kW-h in 2015 (17.1 billion kW-h in 2014) and our total output of heat energy was approximately 12.8 million Gcal (14.1 million Gcal in 2014).

MAIN MACROECONOMIC FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Changes in the price of crude oil and refined products

The price at which we sell crude oil and refined products is the primary driver of the Group's revenues. Compared to 2014, crude oil price dropped nearly two-fold and in 2015 the price for Brent

crude oil fluctuated between \$35 and \$66 per barrel and reached its maximum of \$66.7 in the middle of May and minimum of \$35.63 in the end of December. Nevertheless, as a result of ruble devaluation, the prices expressed in rubles decreased less significantly.

Substantially all the crude oil the Group exports is Urals blend. The following tables show the average crude oil and refined product prices in 2015 and 2014.

	2015	2014	Change, %
(in US dollars per barrel, except for figures in percent)			
Brent crude	52.39	98.95	(47.1)
Urals crude (CIF Mediterranean) ⁽¹⁾	51.87	97.95	(47.0)
Urals crude (CIF Rotterdam) ⁽¹⁾	50.97	97.23	(47.6)
(in US dollars per metric tonne, except for figures in percent)			
Fuel oil 3.5% (FOB Rotterdam)	256.23	527.06	(51.4)
Diesel fuel 10 ppm (FOB Rotterdam)	499.55	855.17	(41.6)
High-octane gasoline (FOB Rotterdam)	569.25	918.87	(38.0)

Source: Platts.

	2015	2014	Change, %
(in rubles per barrel, except for figures in percent)			
Brent crude	3,193.39	3,801.69	(16.0)
Urals crude (CIF Mediterranean) ⁽¹⁾	3,162.09	3,763.52	(16.0)
Urals crude (CIF Rotterdam) ⁽¹⁾	3,106.94	3,735.60	(16.8)
(in rubles per metric tonne, except for figures in percent)			
Fuel oil 3.5% (FOB Rotterdam)	15,619.08	20,250.54	(22.9)
Diesel fuel 10 ppm (FOB Rotterdam)	30,451.42	32,857.22	(7.3)
High-octane gasoline (FOB Rotterdam)	34,699.98	35,304.68	(1.7)

Translated into rubles using annual average exchange rate.

⁽¹⁾The Company sells crude oil on foreign markets on various delivery terms. Thus, our average realized sale price of oil on international markets differs from the average prices of Urals blend on Mediterranean and Northern Europe markets.

Domestic crude oil and refined products prices

Substantially all crude oil produced in Russia is produced by vertically integrated oil companies such as ours. As a result, most transactions are between affiliated entities within vertically integrated groups. Thus, there is no concept of a benchmark domestic market price for crude oil. The price of crude oil that is produced but not refined or exported by one of the vertically integrated oil companies is generally determined on a transaction-

by-transaction basis against a background of world market prices, but with no direct reference or correlation. At any time there may exist significant price differences between regions for similar quality crude oil as a result of competition and economic conditions in those regions.

Domestic prices for refined products are determined to some extent by world market prices, but they are also directly affected by local demand and competition.

The table below represents average domestic wholesale prices of refined products in 2015 and 2014.

	2015	2014	Change, %
	(in rubles per metric tonne, except for figures in percent)		
Fuel oil	6,604.17	9,341.52	(29.3)
Diesel fuel	29,215.42	28,205.52	3.6
High-octane gasoline (Regular)	32,120.41	30,993.41	3.6
High-octane gasoline (Premium)	33,612.29	32,050.40	4.9

Source: InfoTEK (excluding VAT).

Changes in the US dollar-ruble exchange rate and inflation

A substantial part of our revenue is either denominated in US dollars or is correlated to some extent with US dollar crude

oil prices, while most of our costs in the Russian Federation are settled in Russian rubles. Therefore, a devaluation of the ruble against the US dollar generally causes our revenues to increase in ruble terms, and vice versa. Ruble inflation also affects the results of our operations.

The following table gives data on inflation in Russia and the change in the ruble-dollar and ruble-euro exchange rates.

	2015	2014
Ruble inflation (CPI), %	12.0	11.4
Average exchange rate for the period (ruble to US dollar)	60.96	38.42
Exchange rate at the end of the period (ruble to US dollar)	72.88	56.26
Average exchange rate for the period (ruble to euro)	67.78	50.81
Exchange rate at the end of the period (ruble to euro)	79.70	68.34

Tax burden

Given the relative size of our activities in Russia, our tax profile is largely determined by the taxes payable in Russia (based on records maintained under Russian legislation – not IFRS). In 2015 and 2014, the tax charge on the operations in Russia was approximately 81% and 84% of our total tax charge, respectively.

Apart of income tax, fundamental taxes specific to the oil industry in Russia are mineral extraction tax, excise and export tariffs. In addition to above mentioned taxes, we are subject to a number of other taxes in Russia, including social taxes, property tax, VAT and other local and regional taxes.

The effective rates of total taxes and tariffs (total taxes, including income taxes, taxes other than on income and excise and export tariffs, divided by income before taxes and tariffs) for 2015 and 2014 were 80%. In 2015, tax expenses in Russia were about 46% of the domestic and export sales revenue of Russian companies of the Group.

The measures that we use for tax planning and management strategies have been based on our understanding of tax legislation existing at the time of implementation of these measures. We are subject to tax authority audits on an ongoing basis, as is normal in the Russian environment, and, at times, the authorities have attempted to impose significant additional taxes on us. We believe that we have adequately met and provided for tax liabilities based on our interpretation of existing tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

The rates of taxes specific to the oil industry in Russia are linked to international crude oil prices and are changed in line with them. Starting from 1 January 2015, the method for calculation of certain tax and duty rates was amended. The mineral extraction tax rate increases significantly along with simultaneous decrease of export duty rates and excises.

The methods to determine the rates for such taxes are presented below.

Crude oil extraction tax rate is determined by adjusting the base rate depending on the international market price of Urals blend and the ruble-dollar exchange rate. The tax rate is zero when the average Urals blend international market price for a tax period is less than or equal to \$15.00 per barrel. Each \$1.00 per barrel increase in the international Urals blend price over the threshold (\$15.00 per barrel) results in an increase in the tax rate by 179 rubles per tonne extracted above the base rate.

During 2015, the base rate was 766 rubles per metric tonne extracted (493 rubles in 2014).

The crude oil extraction tax rate varies depending on the development, depletion and complexity of a particular oilfield. The tax rate is zero for extra-heavy crude oil and for crude oil produced in certain regions of Eastern Siberia, the Caspian Sea, the Nenetsky Autonomous District and some other regions, depending on the period and volume of production.

The Group produces crude oil in the Caspian Sea, extra-heavy crude oil in Timan-Pechora and benefits from the application of a zero extraction tax rate.

Natural gas extraction tax rate. The mineral extraction tax on natural gas produced by independent producers in Russia was calculated using a flat rate until 1 July 2014. In the first half of 2014, the rate was 471 rubles per thousand cubic meters.

Starting from July 1, 2014, the base rate amounts to 35 rubles per thousand cubic meters and is adjusted depending on average wholesale natural gas price in Russia, share of gas production in total hydrocarbon production of particular taxpayer, and complexity of particular gas field. In 2015, actual average natural gas extraction tax rate calculated for our major gas field – Nakhodkinskoe in Western Siberia amounted to 161.9 rubles per thousand cubic meters (132.1 rubles in the second half of 2014).

Crude oil export duty rate is calculated on a progressive scale. The rate is zero when the average Urals blend international market price is less than or equal to \$15.00 per barrel (\$109.50 per metric tonne). If the Urals blend price is between \$15.00 and \$20.00 per barrel (\$146.00 per metric tonne), each \$1.00 per barrel increase in the Urals blend price over \$15.00 results in an increase in the crude oil export duty rate by \$0.35 per barrel exported. If the Urals blend price is between \$20.00 and \$25.00 per barrel (\$182.50 per metric tonne), each \$1.00 per barrel increase in the Urals blend price over \$20.00 results in an increase in the crude oil export duty rate by \$0.45 per barrel exported. Each \$1.00 per barrel increase in the Urals blend price over \$25.00 per barrel resulted in an increase in the crude oil export duty rate by no more than \$0.65 per barrel exported. From 1 January 2014 to 31 December 2014, the maximum increase in export duty rate was \$0.59 per barrel for each \$1.00 per barrel increase in the Urals blend price. From 1 January 2015 to 31 December 2015, the maximum increase in export duty rate was \$0.42 per barrel for each \$1.00 per barrel increase in the Urals blend price. In 2016, the maximum increase in export duty rate is the same.

The crude oil export duty rate is revised monthly on the basis of the preceding one-month period of crude oil price monitoring.

A special export duty regime is in place for certain greenfields. The list of the oilfields where the reduced rate is applied includes our Yu. Korchagin and V. Filanovsky oilfields located in the Caspian Sea and extra-heavy crude oil fields in Timan-Pechora.

The following table represents average enacted rates for taxes specific to the oil industry in Russia for the respective periods.

		2015	2014	Change, %
Export tariffs on crude oil	\$/tonne	120.31	366.53	(67.2)
Export tariffs on refined products				
Light and middle distillates	\$/tonne	57.70	241.88	(76.1)
Fuel oil	\$/tonne	91.39	241.88	(62.2)
Gasoline	\$/tonne	93.80	329.83	(71.6)
Straight-run gasoline	\$/tonne	102.22	329.83	(69.0)
Diesel fuel	\$/tonne	57.70	238.52	(75.8)

		2015	2014	Change, %
Export tariffs on crude oil ⁽¹⁾	RUB/tonne	7,333.79	14,082.59	(47.9)
Export tariffs on refined products ⁽¹⁾				
Light and middle distillates	RUB/tonne	3,516.97	9,293.45	(62.2)
Fuel oil	RUB/tonne	5,570.72	9,293.45	(40.1)
Gasoline	RUB/tonne	5,717.62	12,672.70	(54.9)
Straight-run gasoline	RUB/tonne	6,230.93	12,672.70	(50.8)
Diesel fuel	RUB/tonne	3,516.97	9,164.39	(61.6)
Mineral extraction tax				
Crude oil	RUB/tonne	6,312.22	5,827.45	8.3

⁽¹⁾Translated from US dollars using average exchange rates for the period.

Export duty rates on refined products are calculated by multiplying the current crude oil export duty rate by a coefficient according to the table below.

	From 1 January 2015 to 31 December 2015	From 1 January 2014 to 31 December 2014
Multiplier for:		
Light and middle distillates	0.48	0.66
Diesel fuel	0.48	0.65
Gasolines	0.78	0.90
Straight-run gasoline 0,	0.85	0.90
Fuel oil	0.76	0.66

Crude oil and refined products exports from Russia are subject to two steps of customs declaration and duty payments: temporary and complete. A temporary declaration is submitted based on preliminary exports volumes and the duty is paid in rubles translated from US dollars at the date of the temporary declaration. A complete declaration is submitted after receiving the actual data on the exported volumes, but no later than six months after the date of the temporary declaration. The final amount of the export duty is adjusted depending on the actual volumes, the US dollar exchange rate at the date of the complete declaration (except for pipeline deliveries when the exchange rate at the temporary declaration date is used) and the export duty rate. If temporary and complete declarations are submitted in different reporting periods, the final amount of the export duty is adjusted in the period of submission of the complete declaration. The high volatility of the ruble-dollar exchange rates may lead to significant adjustments.

For the purposes of the IFRS consolidated financial statements, temporary declarations at the reporting period end are translated to rubles from US dollars using the period-end exchange rate.

Crude oil and refined products exported to the member countries of the Custom Union – Belarus and Kazakhstan, are not subject to export duties.

Excise on refined products. The responsibility to pay excises on refined products in Russia is imposed on refined product producers (except for straight-run gasoline). Only domestic sales volumes are subject to excises.

In other countries where the Group operates, excises are paid either by producers or retailers depending on the local legislation.

Excise rates on refined products in Russia are tied to the ecological class of fuel. Excise tax rates for 2015 and 2014 are listed below.

		2015	2014	Change, %
Gasoline				
Below Euro-3	RUB/tonne	7,300.00	11,110.00	(34.3)
Euro-3	RUB/tonne	7,300.00	10,725.00	(31.9)
Euro-4	RUB/tonne	7,300.00	9,916.00	(26.4)
Euro-5	RUB/tonne	5,530.00	6,450.00	(14.3)
Diesel fuel				
Below Euro-3	RUB/tonne	3,450.00	6,446.00	(46.5)
Euro-3	RUB/tonne	3,450.00	6,446.00	(46.5)
Euro-4	RUB/tonne	3,450.00	5,427.00	(36.4)
Euro-5	RUB/tonne	3,450.00	4,767.00	(27.6)
Motor oils	RUB/tonne	6,500.00	8,260.00	(21.3)
Straight-run gasoline	RUB/tonne	11,300.00	11,252.00	0.4

Income tax. The federal income tax rate is 2.0% and the regional income tax rate varies between 13.5% and 18.0%. The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

The Company and its Russian subsidiaries file income tax returns in Russia. A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

Amendments in 2016

Starting from 1 January 2016, the base crude oil extraction tax rate is 857 RUB per metric tonne extracted. The maximum increase in crude oil export duty rate is 200 rubles per tonne for each \$1.00 increase in the Urals blend price above the level of 15 dollars per barrel.

Starting from 1 January 2016, export duty rates on refined products are to be calculated by multiplying the current crude oil export duty rate by coefficients listed below:

	During 2016
Multiplier for:	
Light and middle distillates	0.40
Diesel fuel	0.40
Gasolines	0.61
Straight-run gasoline 0,	0.71
Fuel oil	0.82

Excise tax rates for 2016 are listed below.

		Before 1 April 2016	After 1 April 2016
Gasoline			
Below Euro-5	RUB/tonne	10,500.00	13,100.00
Euro-5	RUB/tonne	7,530.00	10,130.00
Diesel fuel			
All ecological classes	RUB/tonne	4,150.00	5,293.00
Motor oils	RUB/tonne	6,000.00	6,000.00
Straight-run gasoline	RUB/tonne	10,500.00	13,100.00

Transportation of crude oil and refined products in Russia

The main Russian crude oil production regions are remote from the main crude oil and refined products markets. Therefore, access by crude oil production companies to the markets is dependent on the extent of diversification of the transport infrastructure and access to it. As a result, transportation cost is an important macroeconomic factor affecting our net income.

Transportation of crude oil produced in Russia to refineries and export destinations is primarily through the trunk oil pipeline system of the state-owned company, Transneft, or by railway transport.

Transportation of refined products in Russia is by railway transport and the pipeline system of Transnefteproduct. The Russian railway infrastructure is owned and operated by Russian Railways. Both these companies are state-owned. We transport the major part of our refined products by railway transport.

In Russia, gas is mostly sold at the wellhead and then transported through the Unified Gas Supply System ("UGSS"). The UGSS is responsible for gathering, transporting, dispatching and delivering substantially all natural gas supplies in Russia and is owned and operated by Gazprom. The Federal Service for Tariffs of the Russian Federation regulates natural gas transportation tariffs. We are not able to sell our gas other than through UGSS.

YEAR ENDED 31 DECEMBER 2015, COMPARED TO YEAR ENDED 31 DECEMBER 2014

The table below sets forth data from our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	2015	2014
	(millions of rubles)	
Revenues		
Sales (including excise and export tariffs)	5,749,050	5,504,856
Costs and other deductions		
Operating expenses	(446,719)	(368,505)
Cost of purchased crude oil, gas and products	(2,891,674)	(2,781,856)
Transportation expenses	(297,977)	(215,198)
Selling, general and administrative expenses	(168,669)	(146,550)
Depreciation, depletion and amortization	(350,976)	(293,052)
Taxes other than income taxes	(522,620)	(467,732)
Excise and export tariffs	(575,509)	(807,401)
Exploration expenses	(29,177)	(12,228)
Profit from operating activities	465,729	412,334
Finance income	17,763	10,999
Finance costs	(48,224)	(29,727)
Equity share in income of affiliates	7,047	19,888
Foreign exchange gain	110,912	167,235
Other expenses	(164,123)	(95,874)
Profit before income taxes	389,104	484,855
Current income taxes	(100,335)	(103,303)
Deferred income taxes	3,976	12,524
Total income tax expense	(96,359)	(90,779)
Profit for the year	292,745	394,076
(Profit) loss for the year attributable to non-controlling interests	(1,610)	1,449
Profit for the year attributable to PJSC "LUKOIL" shareholders	291,135	395,525
Earning per share of common stock attributable to PJSC "LUKOIL" (in rubles):		
Basic	408.36	554.79
Diluted	405.15	541.90

The analysis of the main financial indicators of the financial statements is provided below.

Sales revenues

Sales breakdown	2015	2014
	(millions of rubles)	
Crude oil		
Exports and sales on international markets other than Customs Union countries	1,340,778	1,218,581
Exports and sales to Customs Union countries	49,177	60,550
Domestic sales	145,688	128,431
	1,535,643	1,407,562
Refined products		
Exports and sales on international markets		
Wholesale	2,591,027	2,582,871
Retail	647,312	599,527
Domestic sales		
Wholesale	244,404	269,735
Retail	360,283	343,800
	3,843,026	3,795,933
Petrochemicals		
Exports and sales on international markets	34,490	32,231
Domestic sales	28,248	10,346
	62,738	42,577
Gas and gas products		
Exports and sales on international markets	100,097	83,025
Domestic sales	38,229	42,405
	138,326	125,430
Sales of energy and related services		
Sales on international markets	12,516	7,585
Domestic sales	58,237	54,922
	70,753	62,507
Other		
Exports and sales on international markets	57,430	38,660
Domestic sales	41,134	32,187
	98,564	70,847
Total sales	5,749,050	5,504,856

Sales volumes	2015	2014
	(thousands of barrels)	
Crude oil		
Exports and sales on international markets other than Customs Union countries	474,999	339,445
Exports and sales to Customs Union countries	24,174	34,194
Domestic sales	79,457	81,260
	578,630	454,899
Crude oil	(thousands of tonnes)	
Exports and sales on international markets other than Customs Union countries	64,802	46,309
Exports and sales to Customs Union countries	3,298	4,665
Domestic sales	10,840	11,086
	78,940	62,060
Refined products	(thousands of tonnes)	
Exports and sales on international markets		
Wholesale	95,614	86,610
Retail	9,839	10,250
Domestic sales		
Wholesale	10,247	11,596
Retail	9,562	9,771
	125,262	118,227
Total sales volume of crude oil and refined products	204,202	180,287

Realized average sales prices		2015	2014
Average realized price international			
Oil (excluding Customs Union countries)	(RUB/barrel)	2,822.70	3,589.90
Oil (Customs Union countries)	(RUB/barrel)	2,034.31	1,770.87
Refined products			
Wholesale	(RUB/tonne)	27,098.82	29,821.84
Retail	(RUB/tonne)	65,790.43	58,491.34
Oil (excluding Customs Union countries)	(\$/barrel)	46.31	93.43
Oil (Customs Union countries)	(\$/barrel)	33.37	46.09
Refined products			
Wholesale	(\$/tonne)	444.55	776.17
Retail	(\$/tonne)	1,079.28	1,522.34
Average realized price within Russia			
Oil	(RUB/barrel)	1,833.54	1,580.43
Refined products			
Wholesale	(RUB/tonne)	23,851.27	23,263.25
Retail	(RUB/tonne)	37,678.62	35,184.75

During 2015, our revenues increased by 244 billion RUB, or by 4.4%, compared to 2014. Our revenues from crude oil sales increased by 128 billion RUB, or by 9.1%, and our revenues from sales of refined products increased by 47 billion RUB, or by 1.2%. The main reason for this increase was the increase in sales volumes. At the same time, the sharp international hydrocarbon prices drop was compensated for by the effect of the devaluation of the ruble against the euro and the US dollar.

Sales of crude oil

Our international sales revenue increased by 10.0%, or by 122 billion RUB, compared to 2014. Our international sales volumes (beyond the Customs Union) increased by 18,493 thousand tonnes, or by 39.9%, in 2015 as a result of the increase in crude oil exports from Russia, increased volumes of crude oil trading and increased production from the West Qurna-2 field. At the same time, that was partially offset by the sharp decrease in the international crude oil prices that halved compared to 2014. Nevertheless, as a result of the sharp ruble devaluation, international crude oil price expressed in rubles only decreased by 21.4%.

Our realized domestic crude oil price increased by 16.0%, as compared to 2014. The significant increase in exports from Russia was compensated by the decrease in the throughput at the domestic refineries and increase of crude oil purchases in Russia. Thus, our domestic sales volumes decreased relatively insignificantly by 246 thousand tonnes, or by 2.2%. As a consequence, in 2015, our domestic sales revenue increased by 13.4%, or by 17 billion RUB.

In 2015, our revenue from crude oil export from Russia both to the Group companies and third parties amounted to 691 billion RUB (716 billion RUB in 2014).

Sales of refined products

Compared to 2014, our revenue from the wholesale of refined products outside of Russia didn't change significantly. Our dollar and ruble realized prices decreased by 42.7% and 9.1%, respectively. That was offset by the increase in sales volumes by 10.4% as a result of higher volumes of trading.

In 2015, our ruble realized retail prices outside of Russia increased by 12.5% and sales volumes decreased by 4.0%, that resulted in the increase in retail revenue by 48 billion RUB, or by 8.0%, compared to 2014.

In 2015, our revenue from the wholesale of refined products on the domestic market decreased by 9.4%, or by 25 billion RUB. Our realized prices increased by 2.5% and our sales volumes decrease by 11.6%. The decrease in volumes was due to lower domestic production.

In 2015, our revenue from retail sales in Russia increased by 16 billion RUB, or by 4.8%. Our average domestic retail prices increased by 7.1%, while retail volumes decreased by 2.1%.

In 2015, our revenue from export of refined products from Russia both to Group companies and third parties amounted to 440 billion RUB (581 billion RUB in 2014).

Sales of petrochemical products

In 2015, our revenue from sales of petrochemical products increased by 20 billion RUB, or by 47.4%, largely due to the increase in sales volumes by 44.1% against the background of low productions as a consequence of a fire at our plant in the Stavropol region of Russia at the end of the first quarter of 2014. In early April 2015, production at the plant was resumed.

Sales of gas and gas products

Sales of gas and gas refined products increased by 13 billion RUB, or by 10.3%, compared to 2014.

Natural gas sales revenue increased by 16 billion RUB, or by 28.4%, as a result of the increase in international gas production by the Group. Gas products revenue decreased by 3 billion RUB, or by 4.7%.

Sales of energy and related services

In 2015, our revenue from sales of electricity, heat and related services increased by 8 billion RUB, or by 13.2%. In Russia, the increase was due to putting in operation a combined cycle gas turbine at the Group's power plant in the Stavropol region of Russia in March 2015. Internationally, the increase was a result of the acquisition of ISAB Energy in the third quarter of 2014 and of the ruble devaluation.

Sales of other products

Other sales include non-petroleum sales through our retail network, transportation services, rental revenue, crude oil extraction services, and other revenue of our production and marketing companies from sales of goods and services not related to our primary activities.

In 2015, revenue from other sales increased by 28 billion RUB, or by 39.1%. The non-petrol revenue of our retail network increased by 4 billion RUB, or by 14.3%, compared to 2014. Since the second quarter of 2014, we increased the volume of rendering crude oil extraction services in Russia, by 3 billion RUB, or by 63.4%, compared to 2014. Revenue from transportation services increased by 6 billion RUB, or by 75.4%. In 2015 and 2014, our other sales also included revenue from sales of diamonds in the amount of 11 billion RUB and 1 billion RUB, respectively.

Operating expenses

Operating expenses include the following:

	2015	2014
	(millions of rubles)	
Hydrocarbon extraction expenses	217,174	173,809
Own refining expenses	94,449	84,816
Refining expenses at third parties refineries	2,604	2,900
Expenses for crude oil transportation to refineries	41,698	39,220
Power generation and distribution expenses	36,292	32,430
Petrochemical expenses	10,993	7,036
Other operating expenses	43,509	28,294
Total operating expenses	446,719	368,505

The method of allocation of operating expenses above differs from the approach used in preparing the data for Note 32 "Segment information" to our consolidated financial statements. Expenditures in the segment reporting are grouped depending on the segment to which a particular company belongs. Operating expenses for the purposes of this analysis are grouped based on the nature of the costs incurred.

In 2015, our operating expenses increased by 78 billion RUB, or by 21.2%, compared to 2014, largely a result of inflation in Russia and the effect of the ruble devaluation on the ruble value of foreign subsidiaries' expenses.

Hydrocarbon extraction expenses

Our extraction expenses include expenditures related to repairs of extraction equipment, labor costs, expenses on artificial stimulation of reservoirs, fuel and electricity costs, cost of extraction of natural gas liquids, property insurance of extraction equipment and other similar costs.

In 2015, our extraction expenses increased by 43 billion RUB, or by 24.9%, largely, as a result of the impact of the ruble devaluation on the ruble value of expenses of our foreign subsidiaries and the scale-up of our operations at the West Qurna-2 field. In 2015 and 2014, our extraction expenses included production expenses related to the West Qurna-2 project in the amount of 47 billion RUB and 26 billion RUB, respectively. Our domestic expenses also increased driven by higher costs of materials and services.

Our average hydrocarbon extraction expenses increased from 213.70 RUB per BOE in 2014 to 257.74 RUB per BOE in 2015, or by 20.6%. In Russia, average hydrocarbon extraction expenses increased by 11.0% to 218.16 RUB per BOE in 2015.

At the same time, our average hydrocarbon extraction expenses decreased from \$5.56 per BOE in 2014 to \$4.25 per BOE in 2015, or by 23.6%. In Russia, average hydrocarbon extraction expenses decreased by 29.7% to \$3.60 per BOE in 2015.

Own refining expense

In 2015, our own refining expenses increased by 10 billion RUB, or by 11.4%.

Despite the decrease in production volumes, refining expenses at our domestic refineries increased by 6.9%, or by 3 billion RUB, as a result of increased overhaul costs.

Refining expenses at our refineries outside of Russia increased by 7 billion RUB, or by 15.5%, as a result of the euro appreciation to the Russian ruble.

Refining expenses at third party refineries

Along with our own production of refined products we refine crude oil at third party refineries both in Russia and abroad.

In 2015, refining expenses at third party refineries decreased by 10.2%, or by 0.3 billion RUB, as a result of a two-fold decrease in volumes of refining at third party refineries that was partially offset by the ruble devaluation.

Expenses for crude oil transportation to refineries

Expenses for crude oil transportation to refineries include pipeline, railway, freight and other costs related to delivery of the Group's own crude oil to refineries for further processing.

Our expenses for crude oil transportation to refineries increased by 2 billion RUB, or by 6.3%. The decrease in crude oil refining volumes in Russia and in supplies of own crude oil to the Group's refineries abroad was offset by the increase in ruble value of transportation costs incurred internationally.

Power generation and distribution expenses

In 2015, power generation and distribution expenses increased by 4 billion RUB, or by 11.9%, largely as a result of the effect of ruble devaluation on our international expenses and overhauls at one of our power plants in the Krasnodar region of Russia.

Petrochemical expenses

In 2015, operating expenses of our petrochemical plants increased by 4 billion RUB, or by 56.2%, due to the increase of domestic production volumes after commencement of production at our petrochemical plant in the Stavropol region of Russia in April 2015 (the plant's operations were limited after a fire in February 2014).

Other operating expenses

Other operating expenses include expenses of the Group's upstream and downstream entities that do not relate to their core activities, namely rendering of transportation and extraction services, costs of other services provided and goods sold by our production and marketing companies, and of non-core businesses of the Group.

In 2015, other operating expenses increased by 15 billion RUB, or by 53.8%, largely as a result of the increased cost of non-petrol sales of our retail network, increase in expenses related to production of diamonds and the increase of the ruble value of other operating expenses of our foreign subsidiaries.

Cost of purchased crude oil, gas and products

Cost of purchased crude oil, gas and products includes the cost of crude oil and refined products purchased for trading or refining, gas and fuel oil to supply our power generation entities and the result of hedging of crude oil and refined products sales.

The cost of purchased crude oil, gas and products increased by 110 billion RUB, or by 3.9%. The sharp decrease in hydrocarbon prices was offset by the effect of the ruble devaluation and the increase in crude oil and refined products trading volumes. Crude oil purchases in 2015 also included 185 billion RUB related to 10,467 thousand tonnes of compensation crude oil received from Iraq's state-owned South Oil Company within the West Qurna-2 project (81 billion RUB related to 4,337 thousand tonnes of crude oil in 2014).

In 2015, we recognized an 83 billion RUB net gain from hedging, compared to a 72 billion RUB net gain in 2014.

Transportation expenses

In 2015, our transportation expenses increased by 83 billion RUB, or by 38.5%, compared to the previous year as a result of the increase in domestic transportation tariffs and higher volumes of crude oil transportation driven by increased crude oil trading and exports from Russia, amplified by the effect of the ruble devaluation.

Our actual transportation tariffs related to crude oil and refined products deliveries to various exports destinations, weighted by volumes transported, changed to 2014 as follows: crude oil pipeline tariffs increased by 8.2%, railway tariffs for refined products transportation increased by 3.4%.

Selling, general and administrative expenses

Selling, general and administrative expenses include payroll costs (excluding extraction entities', refineries' and power generation entities' production staff costs), insurance costs (except for property insurance related to extraction and refinery equipment), costs of maintenance of social infrastructure, movement in bad debt provision and other expenses.

In 2015, our selling, general and administrative expenses increased by 22 billion RUB, or by 15.1%. The increase was triggered by inflation in Russia and the effect of the ruble devaluation on the expenses of our foreign subsidiaries.

Depreciation, depletion and amortization

Our depreciation, depletion and amortization expenses increased by 58 billion RUB, or by 19.8%, compared to 2014. Our depreciation, depletion and amortization expenses for 2015 and 2014 included 127 billion RUB and 114 billion RUB, respectively, related to the West Qurna-2 field. The international subsidiaries' depreciation, depletion and amortization increased as a result of the effect of the ruble devaluation.

Equity share in income of affiliates

The Group has investments in equity method affiliates and corporate joint ventures. These companies are primarily engaged in crude oil exploration, production, marketing and distribution operations in the Russian Federation, crude oil production and marketing in Kazakhstan. Currently, our largest affiliates are Tengizchevroil, exploration and production company operating in Kazakhstan, Bashneft-Polus, an exploration and production company that develops the Trebs and Titov oilfields in Timan-Pechora, Russia, Shakh-Deniz Midstream and Caspian Pipeline Consortium, midstream companies in Azerbaijan and Kazakhstan. One of our major affiliates was Caspian Investments Resources Ltd, which was sold in August 2015. The Zeeland refinery in the Netherlands, that was an equity affiliate under US GAAP, is accounted for using the proportionate consolidation method under IFRS.

Our share in income of affiliates decreased by 13 billion RUB, or by 64.6%, compared to 2014, largely as a result of the decrease in income of our upstream affiliates in Kazakhstan.

Taxes other than income taxes

	2015	2014
	(millions of rubles)	
In Russia		
Mineral extraction taxes	470,013	420,946
Social security taxes and contributions	21,183	17,462
Property tax	18,364	16,874
Other taxes	2,459	3,810
Total in Russia	512,019	459,092
International		
Social security taxes and contributions	5,812	4,506
Property tax	1,916	1,268
Other taxes	2,873	2,866
Total internationally	10,601	8,640
Total	522,620	467,732

In 2015, our taxes other than income taxes increased by 55 billion RUB, or by 11.7%, compared to 2014, largely driven by the increase in the mineral extraction tax rate. In 2015, application of the reduced rate for crude oil produced from depleted oilfields

and the zero rate for crude oil produced from oilfields with extra heavy crude oil and from greenfields led to a 72 billion RUB mineral extraction tax reduction (83 billion RUB in 2014).

Excise and export tariffs

	2015	2014
	(millions of rubles)	
In Russia		
Excise tax on refined products	55,451	71,093
Crude oil export tariffs	212,899	353,109
Refined products export tariffs	112,871	230,145
Total in Russia	381,221	654,347
International		
Excise tax on refined products	192,070	145,098
Crude oil export tariffs	46	57
Refined products export tariffs	2,172	7,899
Total internationally	194,288	153,054
Total	575,509	807,401

In 2015, export tariffs decreased by 263 billion RUB, or by 44.5%, due to the sharp decrease in export duty rates for crude oil and refined products, offset to some extent by the ruble devaluation. Compared to 2014, the volumes of crude oil export beyond

the Customs Union increased by 16.6% while the volumes of the refined products exports decreased by 12.5%. The increase in international excise expenses was due to the ruble devaluation.

Exploration expenses

In 2015, our exploration expenses increased by 17 billion RUB that mostly was a result of the increase in the amount of dry hole write-offs, compared to the previous year. In 2015, we charged to expense 25 billion RUB related to dry holes primarily in Romania. In 2014, dry hole write-offs related to projects in West Africa totaled 9 billion RUB.

Other expenses

Other expenses include the financial effects of the disposal of assets, impairment losses, extraordinary gains and losses, revisions of estimates and other non-operating gains and losses.

In 2015, other expenses increased by 68 billion RUB, or by 71.2%, largely as a result of higher amount of impairment losses. See the "Non-recurring losses and gains" section on page 228 for detailed description.

Income taxes

The maximum statutory income tax rate in Russia is 20%. Nevertheless, the actual effective income tax rate may be higher due to non-deductible expenses or lower due to certain non-taxable gains.

In 2015, our total income tax expense increased by 6 billion RUB, or by 6.1%, compared to 2014. At the same time, our profit before income tax decreased by 96 million RUB, or by 19.7%.

In 2015, our effective income tax rate was 24.8%, compared to 18.7% in 2014. The high level of the effective tax rate in 2015 was a result of non-deductible losses and write-offs.

Reconciliation of net income to EBITDA (earnings before interest, income taxes, depreciation and amortization)

	2015	2014
	(millions of rubles)	
Profit for the year	291,135	395,525
Add back:		
Income tax expense	96,359	90,779
Depreciation and amortization	350,976	293,052
Finance cost	48,224	29,727
Finance income	(17,763)	(10,999)
EBITDA	768,931	798,084
Add back loss on disposal of assets and dry hole related write-offs	177,503	92,127
EBITDA adjusted for one-off items	946,434	890,211
Including impact of West Qurna-2 project	137,285	117,417

EBITDA is a non-IFRS financial measure. EBITDA is defined as net income before interest, taxes and depreciation and amortization. The Company's management believes that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered as operating costs under IFRS, these expenses primarily represent the non-cash current period

allocation of costs associated with long-lived assets acquired or constructed in prior periods. The EBITDA calculation is commonly used as a basis for some investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the oil and gas industry. EBITDA should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under IFRS. EBITDA does not include our need to replace our capital equipment over time.

LIQUIDITY AND CAPITAL RESOURCES

	2015	2014
	(millions of rubles)	
Net cash provided by operating activities	848,972	651,416
Net cash used in investing activities	(525,722)	(578,374)
Net cash (used in) provided by financing activities	(253,063)	30,143

Operating activities

Our primary source of cash flow is funds generated from our operations. In 2015, cash generated from operations increased by 198 billion RUB, or by 30.3%, compared to 2014, largely, as a result of changes in working capital. In 2014, our cash flows from operating activities were negatively affected by an increase of receivables for cost recovery related to commencement of cost compensation within the West Qurna-2 project. Subsequently, after commencement of shipment of compensation crude oil, changes of this receivable do not affect significantly our cash flow from operating activity.

Investing activities

In 2015, the amount of cash used in investing activities decreased 53 billion RUB, or by 9.1%, mostly due to higher proceeds from the sale of financial assets and equity method affiliates by 93 billion rubles.

Our capital expenditures, including non-cash transactions, didn't change significantly and amounted to 607 billion RUB.

	2015	2014
	(millions of rubles)	
Capital expenditures, including non-cash transactions and prepayments		
Exploration and production		
Russia	292,488	327,956
International	195,877	135,211
Total exploration and production	488,365	463,167
Refining, marketing and distribution		
Russia	83,640	105,411
International	25,285	36,049
Total refining, marketing and distribution	108,925	141,460
Corporative centre and other		
Russia	5,160	4,519
International	4,755	1,960
Total corporative centre and other	9,915	6,479
Total capital expenditures	607,205	611,106

In 2015, our capital expenditures in the exploration and production segment increased by 25 billion rubles, or by 5.4%. The decrease in capital expenditures in Russia was offset by the increase in international capital expenditures as result of the ruble devaluation.

The decrease in capital expenditures in the domestic refining, marketing and distribution segment in Russia was due to approaching completion of construction of a catalytic cracking unit at our refinery in Nizhny Novgorod. The decrease in the international segment was a result of the completion of the construction of a heavy residue processing complex at our Bulgarian refinery.

The table below shows our exploration and production capital expenditures in promising new production regions.

	2015	2014
	(millions of rubles)	
Yamal	30,225	20,084
Caspian region ⁽¹⁾	67,988	58,248
Ghana	1,602	12,046
Cote d'Ivoire	1,910	6,418
Iraq	44,881	54,738
Uzbekistan	54,507	32,213
Romania	20,933	7,275
Cameroon	7,987	–
Nigeria	21,556	–
Total	251,589	191,022

⁽¹⁾ Russian and international projects.

Financing activities

In 2015, net movements of short-term and long-term debt generated an outflow of 94 billion RUB, compared to an inflow of 107 billion RUB in 2014.

Credit rating

Standard & Poor's Ratings Services set its long-term corporate credit rating and all debt ratings on the Company to BBB-.

Moody's set the Company's long-term corporate family rating and long-term issuer rating of Ba1.

Fitch Ratings set the Company's long-term issuer default rating to BBB-.

LITIGATION AND CLAIMS

On 27 November 2001, Archangel Diamond Corporation ("ADC"), a Canadian diamond development company, filed a lawsuit in the Denver District Court, Colorado against OAO Arkhangelskgeoldobycha ("AGD"), a Group company, and the Company (together the "Defendants"). ADC alleged that the Defendants interfered with the transfer of a diamond exploration license to Almazny Bereg, a joint venture between ADC and AGD. ADC claimed compensatory damages of \$1.2 billion (87.5 billion RUB) and punitive damages of \$3.6 billion (262.4 billion RUB). On 15 October 2002, the District Court dismissed the lawsuit for lack of personal jurisdiction. This ruling was upheld by the Colorado Court of Appeals on 25 March 2004. However, on 21 November 2005, due to a procedural error, the Colorado Supreme Court remanded the case to the Colorado Court of Appeals and the Colorado Court of Appeals remanded the case to the District Court. On 20 October 2011, the Denver District Court dismissed all claims against the Company for lack of jurisdiction. On 23 August 2012, the Colorado Court of Appeals affirmed this decision. On 1 July 2013, the Colorado Supreme Court denied ADC's Petition for Writ of Certiorari. The case in the state court is therefore over.

On 6 January 2012, ADC filed a lawsuit in the US District Court for the District of Colorado (federal court) reasserting almost identical claims asserted in the aforementioned lawsuit and dismissed by the Denver District Court (state court). In the federal Court case, the Company has filed a Motion to Dismiss. On 18 December 2014, the federal court granted the motion based on lack of personal jurisdiction over the Company and the doctrine of 'forum non conveniens'. ADC filed a notice of appeal in the US Court of Appeals for the Tenth Circuit. On 9 February 2016, the US Court of Appeals for the Tenth Circuit affirmed the dismissal of the case on 'forum non conveniens' grounds. On 23 February 2016, ADC filed a Petition for rehearing and for 'rehearing en banc'. The case is pending a decision. The Company plans to seek dismissal of the case and vigorously defend the matter. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group's financial position.

In June 2014, the prosecutors with the Ploesti Court of Appeals (hereinafter the "Prosecutor's Office") issued an order on initiation of criminal proceedings and brought charges against PETROTEL-LUKOIL S.A. refinery, a Group company, and its general director based on alleged tax evasion and money laundering. Later the Prosecutor's Office added bad faith use of the company's credit and money laundering charges for 2008-2010 against LUKOIL Europe Holdings B.V. The amount of the claim is not finalized. LUKOIL LUBRICANTS EAST EUROPE S.R.L., LUKOIL ENERGY & GAS ROMANIA S.R.L. and a number of Romanian legal entities not affiliated with the Group are also considered to be suspects in this criminal case. At the moment a preliminary investigation of the criminal case is being conducted. Tax audits

of PETROTEL-LUKOIL S.A. have not revealed any material violations so far. In July 2015, a new charge in respect of bad faith use of the company's credit and money laundering was brought against the general director and several officers of PETROTEL-LUKOIL S.A. A similar charge was brought against LUKOIL Europe Holdings B.V. and PETROTEL-LUKOIL S.A. for 2011-2014. On 3 August 2015, the Prosecutor's Office issued the final indictment on the new charges and submitted the case to the Prahova Tribunal for further consideration by the preliminary chamber judge. The allegations of bad faith use of the company's credit in respect of PETROTEL-LUKOIL S.A. were excluded from the final indictment. Following the preliminary hearing the Prosecutor's Office revised the amount of damage claimed from \$2.2 billion (160.3 billion RUB) to \$1.5 billion (109.3 billion RUB). This amount is not final. During the entire trial it may be revised by the Tribunal on the basis of evidence produced. On 15 December 2015, the Prahova Tribunal ascertained that there are numerous irregularities in the indictment act and returned the criminal file to the Prosecutor's Office. The solution was confirmed by the Ploesti Court of Appeal on 19 January 2016. However, the Prosecutor has prepared a new indictment act based on the same accusations which were submitted to the Prahova Tribunal on 22 January 2016. The preliminary hearing on the new indictment act in the Prahova Tribunal was held on 25 March 2016. The Court decided to grant a new 5 days period of time for the Prosecutor to remediate the irregularities identified. In the meantime, management of PETROTEL-LUKOIL S.A. and its tax and legal counsel are actively defending the lawful rights and interests of the refinery, provide all required opinions, clarifications and comments, and prepare an exhaustive set of evidence to fully rebut the charges brought by the Prosecutor's Office. Management does not believe that the outcome of this matter will have a material adverse effect on the Group's financial position.

LUKOIL Overseas Karachaganak B.V., a Group company, among other contractors, is involved in a dispute related to cost recovery and calculation of the "fairness index" in accordance with the Final Production Sharing Agreement in respect of the Karachaganak field. An estimated total of claims filed by the Republic of Kazakhstan is about \$1.6 billion (116.6 billion RUB), a portion of LUKOIL Overseas Karachaganak B.V. equal to \$214 million (15.6 billion RUB). At the moment the parties are negotiating a settlement of this dispute. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group's financial position.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial condition.

POLITICAL SITUATION

During 2014-2015, there was an increase of political and economic instability in Ukraine. Though the Group's assets and operations in Ukraine are not material, the Group monitors the situation and assesses the risks associated with its operations in Ukraine. At 31 December 2014, the Group recognized an impairment loss related to assets held for sale amounting to 2.2 billion RUB and related to goodwill amounting to 550 million RUB. Management believes that there are no other potential material losses that can be identified and reasonably estimated with respect to the situation in Ukraine at present.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. See Note 3 "Summary of significant accounting policies" to our consolidated financial statements for descriptions of the Company's major accounting policies. Certain of these accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used.

SELECTED 2015 QUARTERLY DATA (UNAUDITED)

The table below sets forth data from our consolidated statements of profit or loss for the periods indicated.

	For the 3 months ended			
	31 March	30 June	30 September	31 December
	(millions of rubles)			
Revenues				
Sales (including excise and export tariffs)	1,440,305	1,476,966	1,464,053	1,367,726
Costs and other deductions				
Operating expenses	(105,681)	(105,828)	(116,833)	(118,377)
Cost of purchased crude oil, gas and products	(700,065)	(777,640)	(733,220)	(680,749)
Transportation expenses	(78,785)	(68,377)	(71,371)	(79,444)
Selling, general and administrative expenses	(41,185)	(40,028)	(40,838)	(46,618)
Depreciation, depletion and amortization	(78,463)	(87,058)	(100,061)	(85,394)
Taxes other than income taxes	(129,835)	(141,219)	(134,256)	(117,310)
Excise and export tariffs	(172,849)	(123,609)	(145,685)	(133,366)
Exploration expenses	(1,197)	(13,586)	(8,819)	(5,575)
Profit from operating activities	132,245	119,621	112,970	100,893
Finance income	4,531	4,036	4,210	4,986
Finance costs	(11,460)	(11,026)	(11,667)	(14,071)
Equity share in income of affiliates	4,093	2,382	2,131	(1,559)
Foreign exchange gain (loss)	5,675	(29,154)	83,762	50,629
Other (expenses) income	(5,772)	(2,784)	36,542	(192,109)
Profit (loss) before income taxes	129,312	83,075	227,948	(51,231)
Current income taxes	(22,940)	(19,394)	(33,843)	(24,158)
Deferred income taxes	(1,933)	575	(5,508)	10,842
Total income tax expense	(24,873)	(18,819)	(39,351)	(13,316)
Profit (loss) for the period	104,439	64,256	188,597	(64,547)
Profit for the period attributable to non-controlling interests	(408)	(508)	(204)	(490)
Profit (loss) for the period attributable to PJSC "LUKOIL" shareholders LUKOIL shareholders	104,031	63,748	188,393	(65,037)

Sales breakdown

	For the 3 months ended			
	31 March	30 June	30 September	31 December
	(millions of rubles)			
Crude oil				
Exports and sales on international markets other than Customs Union countries	365,914	376,988	288,448	309,428
Exports and sales to Customs Union countries	14,323	13,776	9,409	11,669
Domestic sales	37,373	37,859	39,147	31,309
	417,610	428,623	337,004	352,406
Refined products				
Exports and sales on international markets				
Wholesale	653,211	666,071	685,907	585,838
Retail	149,575	151,573	179,382	166,782
Domestic sales				
Wholesale	52,974	61,045	64,453	65,932
Retail	78,005	88,172	100,622	93,484
	933,765	966,861	1,030,364	912,036
Petrochemicals				
Exports and sales on international markets	8,214	8,875	10,782	6,619
Domestic sales	3,098	6,296	9,330	9,524
	11,312	15,171	20,112	16,143
Gas and gas products				
Exports and sales on international markets	27,672	21,187	23,691	27,547
Domestic sales	9,298	9,533	9,483	9,915
	36,970	30,720	33,174	37,462
Sales of energy and related services				
Sales on international markets	2,490	1,719	4,294	4,013
Domestic sales	17,897	11,523	11,521	17,296
	20,387	13,242	15,815	21,309
Other				
Export and sales on international markets	11,430	12,552	16,092	17,356
Domestic sales	8,831	9,797	11,492	11,014
	20,261	22,349	27,584	28,370
Total sales	1,440,305	1,476,966	1,464,053	1,367,726

Sales volumes

	For the 3 months ended			
	31 March	30 June	30 September	31 December
	(thousand barrels)			
Crude oil				
Exports and sales on international markets other than Customs Union countries	117,067	125,966	100,458	131,508
Exports and sales to Customs Union countries	6,773	6,245	4,750	6,406
Domestic sales	18,977	18,831	22,628	19,021
	142,817	151,042	127,836	156,935
Crude oil				
	(thousand tonnes)			
Exports and sales on international markets other than Customs Union countries	15,971	17,185	13,705	17,941
Exports and sales to Customs Union countries	924	852	648	874
Domestic sales	2,589	2,569	3,087	2,595
	19,484	20,606	17,440	21,410
Refined products				
	(thousand tonnes)			
Exports and sales on international markets				
Wholesale	22,947	23,617	24,792	24,258
Retail	2,164	2,466	2,624	2,585
Domestic sales				
Wholesale	2,208	2,582	2,670	2,787
Retail	2,148	2,353	2,627	2,434
	29,467	31,018	32,713	32,064
Total sales volume of crude oil and refined products	48,951	51,624	50,153	53,474

The table below sets forth data from our consolidated statements of cash flows.

	For the 3 months ended			
	31 March	30 June	30 September	31 December
	(millions of rubles)			
Net cash:				
provided by operating activities	214,522	168,581	234,564	231,305
used in investing activities	(153,492)	(137,376)	(74,333)	(160,521)
used in financing activities	(49,744)	(39,818)	(66,337)	(97,164)
Free cash flow	62,911	16,968	91,317	76,451

	For the 3 months ended			
	31 March	30 June	30 September	31 December
	(millions of rubles)			
Capital expenditures, including non-cash transactions and prepayments				
Exploration and production				
Russia	74,058	70,084	68,885	79,461
International	48,499	49,983	51,026	46,369
Total exploration and production	122,557	120,067	119,911	125,830
Refining, marketing and distribution				
Russia	21,161	22,355	16,872	23,252
International	8,931	7,033	4,120	5,201
Total refining, marketing and distribution	30,092	29,388	20,992	28,453
Corporative centre and other				
Russia	651	846	1,218	2,445
International	770	473	541	2,971
Total corporative centre and other	1,421	1,319	1,759	5,416
Total capital expenditures	154,070	150,774	142,662	159,699

Please note that the information presented of pages 257-260 of this report has not been audited by our independent auditor. Therefore,

this selected quarterly data may be amended as we issue our interim financial statements in 2016.

FORWARD-LOOKING STATEMENTS

Certain statements in this document are not historical facts and are “forward-looking.” We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of our plans, objectives or goals, including those related to products or services
- statements of future economic performance
- statements of assumptions underlying such statements.

Forward looking statements that may be made by us from time to time (but that are not included in this document) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios. Words such as “believes,” “anticipates,” “expects,” “estimates,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

These factors include:

- inflation, interest rate and exchange rate fluctuations
- the price of oil
- the effects of, and changes in, Russian government policy
- the effects of competition in the geographic and business areas in which we conduct operations
- the effects of changes in laws, regulations, taxation or accounting standards or practices
- our ability to increase market share for our products and control expenses
- acquisitions or divestitures
- technological changes
- our success at managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made, and, subject to any continuing obligations under the Listing Rules of the U.K. Listing Authority, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

MAJOR AND RELATED / INTERESTED PARTY TRANSACTIONS

List of transactions made by PJSC "LUKOIL" in 2015 and recognised as major transactions in accordance with the federal law on joint stock companies

PJSC "LUKOIL" in 2015 did not make transactions recognised as major transactions in accordance with the federal law on joint stock companies

Interested-party transaction of PJSC "LUKOIL" approved by the Annual General Shareholders Meeting of OAO "LUKOIL" of 25 June 2015 and made in 2015

1. Number of the transaction approved by the Annual General Shareholders Meeting of OAO "LUKOIL"	1
2. Price	up to USD 450,000 – Insurance premium for coverage A, B and C.
3. Names of parties	OAO Kapital Insurance (Insurer) OAO "LUKOIL" (Policyholder)
4. Names of beneficiaries	Under Cover A – the sole executive body, members of management bodies, employees of OAO "LUKOIL" and/or subsidiaries of OAO "LUKOIL", and/or other organisations with the participation of OAO "LUKOIL" and/or its subsidiary based on whose proposals the sole executive body and/or members of management bodies of such organisations were elected (hereinafter, the Insured Person). Under Cover B – OAO "LUKOIL", subsidiaries of OAO "LUKOIL", other organisations with the participation of OAO "LUKOIL" and/or its subsidiary based on whose proposals the sole executive body and/or members of management bodies of such organisations were elected (hereinafter, the Company). Under Cover C – OAO "LUKOIL", subsidiaries of OAO "LUKOIL".
5. Name of transaction	Policy (contract) on insuring the liability of directors, officers and corporations (hereinafter the "Policy").
6. Subject of the transaction	<p>The Insurer undertakes, for the payment stipulated in the Policy (Insurance Premium), to pay the insurance coverage (indemnification) under the Policy to (as the case may be) respective Insured (meaning any Company and/or any Insured person) and/or any other person entitled to such indemnification should any insured event specified in the Policy occur, within the insurance premium (liability limit) determined by the Policy.</p> <p>An insured event for the purposes of Cover A in respect of cover for the liability of any Insured Person for any Loss incurred by any third parties shall be deemed to be the onset of all of the following circumstances: (a) the liability of any Insured Person arising at any time prior to or during the Policy Period pursuant to applicable law as a consequence of the incurrence by any third parties of any Loss in connection with any Wrongful Act of the Insured Person, and (b) any Claim made against such Insured Person during the Period of Insurance (means the effective period during which the insurance set forth in the Policy shall be valid, starting from the first day of the Policy Period and ending on the expiry date of the Policy Period or, if there is a Discovery Period (a 60-day period immediately following the expiry of the Policy Period or early termination/cancellation of the Policy, during which written notice may be given to the Insurer of any Claim first made during such period or during the Policy Period in connection with any Wrongful Act committed prior to the end of the Policy Period), ending on the expiry date of the Discovery Period). An insured event shall be deemed to have occurred upon the Claim being made subject to subsequent confirmation by the Insurer that the insured event has occurred or to a ruling that such insured event has occurred by a court, arbitral court, arbitral tribunal or other similar competent body/institution. The Policy also covers any Loss incurred by any Insured Person and/or which any Insured Person will incur subsequent to the Period of Insurance relating to liability for Loss incurred by any third parties (including, without limitation, in the event of any ruling by a court or arbitral court, arbitral tribunal or other similar competent body/institution subsequent to the Period of Insurance), but in connection with any Claim made during the Period of Insurance.</p> <p>For the purposes of Cover A the Insurer shall pay to or on behalf of any Insured Person any Loss related to any Claim first made against any Insured Person during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy, except when and to the extent that the Company has indemnified such Loss.</p> <p>An insured event for the purposes of Cover B shall be deemed to be the incurrence of any expenses by any Company in connection with the indemnification for any Loss by such Company to any Insured Person and/or other person or entity in the interests of any Insured Person in connection with any Claim made against any Insured Person and/or the liability of any Insured Person for any Loss incurred by third parties. The Policy also covers such expenses incurred by any Company subsequent to the Period of Insurance but relating to any Claim made during the Period of Insurance and/or in connection with the liability of any Insured Person for any Loss incurred by third parties in relation to which a Claim was made during the Period of Insurance. For the purposes of Cover B the Insurer shall pay to or on behalf of any Company any Loss related to any Claim first made against any Insured Person during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy, but only to the extent that such Company has indemnified such Loss.</p> <p>An insured event for the purposes of Cover C in respect of cover for the liability of any Company for any Loss incurred by any third parties shall be deemed to be the onset of all of the following circumstances: (a) the liability of any Company arising at any time prior to or during the Policy Period pursuant to applicable law as a consequence of the incurrence by any third parties of any Loss in connection with any Wrongful Act of the Company, and (b) any Securities Claim made against such Company during the Period of Insurance in connection with the Loss of any third parties. An insured event shall be deemed to have occurred upon the Securities Claim being made subject to subsequent confirmation by the Insurer that the insured event has occurred or to a ruling that such insured event has occurred by a court, arbitral court, arbitral tribunal or other similar competent body/institution. The Policy also covers any Loss incurred by any Company and/or which any Company will incur subsequent to the Period of Insurance relating to liability for Loss incurred by any third parties (including, without limitation, in the event of any ruling by a court or arbitral court, arbitral tribunal or similar competent body/institution subsequent to the Period of Insurance), but in connection with any Securities Claim made during the Period of Insurance.</p> <p>For the purposes of Cover C the Insurer shall pay to any Company or on behalf of any Company any Loss related to any Securities Claim first made against any Company during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy. Insurance cover C is without any prejudice to Insurance cover A in respect of any Securities Claims.</p>
7. Grounds for status as an interested party	The persons performing the functions of the President, members of the Board of Directors and Management Committee of OAO "LUKOIL" are simultaneously beneficiaries under the transaction.
8. Other material terms of the transaction	<p>The policy is effective from 19 July 2015 through 18 July 2016.</p> <p>The insurance premium (liability limit) is at least USD 150,000,000 (total aggregate limit for Covers A, B and C, including legal defence costs).</p> <p>The insurance premium will be paid in roubles at the exchange rate determined by the Parties as of the date the Policy is signed, in accordance with the terms and conditions of the Policy.</p>

List of transactions of PJSC "LUKOIL" approved by the Board of Directors and made by LUKOIL in 2015

1. Number of the transaction approved by the Board of Directors	1
2.1. Price (amount in USD)	USD 39,924.36 for three years including VAT
2.2. Price (amount in RUB)	RUB 1,411,326.13
3. Names of parties	OAO "LUKOIL" (Contractor) LUKOIL NORTH AMERICA LLC (Client)
4. Names of beneficiaries	-
5. Name of transaction	Contract on the provision of information (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Contractor undertakes to render services to the Client on the provision of Platts MarketData information. A list of information and the means of its provision is given in Appendix 1 to the Contract.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	The term of provision of services is from 1 July 2013 to 30 June 2016. The period of provision of services is a calendar month. The value of services for each period is USD 939.84, including the New York city sales tax of USD 71.40 (8.875%), plus Russian VAT of USD 169.17 (18%). The total with Russian VAT is USD 1,109.01. The total value of the Contract with VAT is USD 39,924.36. The date of payment of services is the date when the funds are received on the Contractor's transit foreign-currency account. The Contract enters into force from the date of its signing, extends to relations of the Parties from 1 July 2013, and shall remain in effect until the Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	2
2.1. Price (amount in USD)	USD 19,468.28, plus VAT of USD 3,504.29
2.2. Price (amount in RUB)	RUB 772,696, plus VAT of RUB 139,085.28
3. Names of parties	OAO "LUKOIL" (Contractor) LUKOIL Americas Corporation (Customer)
4. Names of beneficiaries	-
5. Name of transaction	Information Disclosure Services Agreement (hereinafter the "Agreement")
6. Subject of the transaction	In accordance with the Agreement, the Contractor shall provide the Customer, based on its report that defines fair value, prepared by independent appraisers, information disclosure services with respect to the fair value of the Customer's fixed assets, interest-bearing investments in tangible assets and assets under construction, including the equipment to be installed, as well as their remaining useful lives in accordance with IFRS.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL Americas Corporation.
8. Other material terms of the transaction	This Agreement shall become effective the date it is signed by the Parties, and shall be valid until all the obligations of the Parties are discharged in full.

1. Number of the transaction approved by the Board of Directors	3
2.1. Price (amount in USD)	USD 41,331,847 (Credit line of USD 40,000,000, with the approximate interest due for the credit line's entire maturity of USD 1,331,847); the estimated fee for the entire Guarantee period will be USD 1,204,000.
2.2. Price (amount in RUB)	RUB 2,141,402,993.07 (Credit line of RUB 2,072,400,000, with the approximate interest due for the credit line's entire maturity of RUB 69,002,993.07); the estimated fee for the entire Guarantee period will be RUB 62,379,240.
3. Names of parties	ОАО "ЛУКОЙЛ" (Guarantor) ЛУКОЙЛ NORTH AMERICA LLC (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnity No. 1111131 of 29.12.2011 (hereinafter the "Contract").*
6. Subject of the transaction	<p>Under the Contract the Parties agreed to consider an amount paid by the Guarantor to the Bank (Citibank N.A) in performance of obligations under the Guarantee between the Guarantor and Citibank N.A. (Bank) issued as security for performance of obligations by the Debtor under the Letter of Credit of 29.12.2011 (Agreement) for the maximum amount of USD 40,000,000, plus interest, fines, penalties and other guaranteed payments (Guarantee**) to be the amount payable by the Debtor to the Guarantor including the interest for the funds' use on the terms, within the deadlines and in accordance with the procedure stipulated in the Contract.</p> <p>In accordance with the Supplemental Agreement to the Contract,</p> <p>1. Section 3 of the Contract "Payment for the Services of the Guarantor" shall be revised to stipulate:</p> <ul style="list-style-type: none"> - The Debtor's obligation to pay the Guarantor the fee for the provision of the service of Guarantee for the Debtor's obligation; - procedure for determining the cost of the service of Guarantee for the Debtor's obligation (Service): the cost of the Service from 27.12.2013 to the date the Guarantee is extended by the Guarantor amounts to 0.6% per annum, and from the date the Guarantee is extended by the Guarantor – 0.8% per annum of the amount of the Debtor's obligations to the Bank calculated for each day of the reporting period; - the reporting period for the calculation of the Service cost (point 3.3 of the Contract); - procedure for the calculation of the Service cost: calculation of the Service cost is performed by the Guarantor based on the Memo on the Debtor's obligations to the Bank covered under the Agreement for each day of the reporting period prepared by the Debtor in accordance with the form attached in Appendix No.1 to the Contract; - settlement procedure (the calculated payment is made by the Debtor based on the invoice issued by the Guarantor within 45 calendar days from the date the invoice is issued). <p>2. Appendix 1 <i>Memo on the Debtor's obligations to the Bank covered under the Agreement</i> is added to the Contract using the wording of Appendix 1 of the Supplemental Agreement to the Contract.</p>
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date it is signed by the Parties and applies to the legal relations of the Parties arising from 27 December 2013.
1. Number of the transaction approved by the Board of Directors	4
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	ОАО "ЛУКОЙЛ" (Company) International Association of Trade Union Organisations of ОАО "ЛУКОЙЛ" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract on the gratuitous use of non-residential premises № 1010582 of 01.09.2010 (hereinafter the "Contract").*
6. Subject of the transaction	<p>Pursuant to the Contract, the Company will provide to the Association for gratuitous use non-residential premises with a total area of 408.1 m², located at the address: 5 Ulansky pereulok, building 1, Moscow.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ul style="list-style-type: none"> - in point 1.1 of the Contract the words "In execution of point 9.1.1 of the Agreement between the Employer and the Association of Trade Union Organisations of ОАО "ЛУКОЙЛ" for 2009-2014" shall be replaced with the words "In execution of point 9.1.1 of the Agreement between the Employer and the Association of Trade Union Organisations of ОАО "ЛУКОЙЛ" for 2015-2017"; - point 4.2 of the Contract shall be revised to stipulate the term of the Contract till 05.12.2017.
7. Grounds for status as an interested party	<p>Sergei Petrovich Kukura, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".</p> <p>Ivan Alexeevich Maslyaev, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".</p>
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.

1. Number of the transaction approved by the Board of Directors	5
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	OAO "LUKOIL" (Company) International Association of Trade Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter the "Contract").*
6. Subject of the transaction	Pursuant to the Contract, the Company provides property on its balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement to the Contract: 1) in point 1.1 of the Contract the words "In execution of point 9.1.1 of the Agreement between the Employer and the Association of Trade Union Organisations of OAO "LUKOIL" for 2009-2014" shall be replaced with the words "In execution of point 9.1.1 of the Agreement between the Employer and the Association of Trade Union Organisations of OAO "LUKOIL" for 2015-2017"; 2) point 5.2 of the Contract shall be revised to stipulate the term of the Contract till 05.12.2017. 3) points 2-5 and 10-13 of Appendix No.2 to Supplemental Agreement No.03109920041 of 30.04.2013 to the Contract and the Act of Property Transfer/Acceptance of 01.05.2013 are revised to update the stock-taking details of the leased office phones; 4) in connection with the upgrade of HP Compaq dx7300 MT PD-945 512 Mb and the HP 8000 WB648EA#ACB system block performed on 31.03.2014, amendments are being made to Supplemental Agreement No. 03109920016 of 01.08.2007 and Supplemental Agreement No.03109920030 of 27.08.2010 stipulating the value of the upgraded equipment; 5) from 01.04.2014, the total cost of the equipment transferred to the Association under the Contract will amount to RUB 7,219,762; 6) from 01.07.2014, an amendment is being made to Supplemental Agreement No.03109920043 of 29.07.2014 stipulating the total cost of the equipment transferred to the Association under the Contract amounting to RUB 7,310,940.83.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Ivan Alexeevich Maslyayev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing, and extends to the legal relations of the Parties arising from 05.12.2014 with respect to points 1 and 2; from 30.04.2013 with respect to point 3; from 01.04.2014 with respect to points 4 and 5; and from 01.07.2014 with respect to point 6.
1. Number of the transaction approved by the Board of Directors	6
2.1. Price (amount in USD)	Credit line of USD 20,000,000; the approximate fee will be USD 264,200, plus VAT of USD 47,556.
2.2. Price (amount in RUB)	Credit line of 1,091,400,000; the estimated fee will be RUB 14,417,394, plus VAT of RUB 2,596,130.92.
3. Names of parties	OAO "LUKOIL" (Guarantor) LUKOIL NORTH AMERICA LLC (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnity No. 1110663 of 29.08.2011 (hereinafter the "Contract").*
6. Subject of the transaction	The Parties agreed to consider an amount paid by the Guarantor to Citibank N.A (Bank) in performance of obligations under the Guarantee between the Guarantor and the Bank issued as security for performance of obligations by the Debtor under the Letter of Credit of 29.08.2011 (Agreement) for the maximum amount of USD 20,000,000, plus interest, fines, penalties and other guaranteed payments (Guarantee) to be the amount payable by the Debtor to the Guarantor including the interest for the funds' use on the terms, within the deadlines and in accordance with the procedure stipulated in the Contract. In accordance with the Supplemental Agreement to the Contract, 1. Section 3 of the Contract "Payment for the Services of the Guarantor" shall be revised to stipulate: - The Debtor's obligation to pay the Guarantor the fee for the provision of the service of Guarantee for the Debtor's obligation; - procedure for determining the cost of the service of Guarantee for the Debtor's obligation (Service): the cost of the Service from 23.08.2013 to 26.08.2014 amounts to 0.6% per annum, and from 27.08.2014 – 0.65% per annum of the amount of the Debtor's obligations to the Bank calculated for each day of the reporting period; - the reporting period for the calculation of the Service cost (point 3.3 of the Contract); - procedure for the calculation of the Service cost: calculation of the Service cost is performed by the Guarantor based on the Memo on the Debtor's obligations to the Bank covered under the Agreement for each day of the reporting period prepared by the Debtor in accordance with the form attached in Appendix No.1 to the Contract; - settlement procedure (the calculated payment is made by the Debtor based on the invoice issued by the Guarantor within 45 calendar days from the date the invoice is issued). 2. Appendix 1 <i>Memo on the Debtor's obligations to the Bank covered by the Guarantee under the Agreement</i> is added to the Contract using the wording of Appendix 1 of the Supplemental Agreement to the Contract.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date it is signed by the Parties and applies to the legal relations of the Parties arising from 23 August 2013.

1. Number of the transaction approved by the Board of Directors	7
2.1. Price (amount in USD)	USD 6,027,436.89, plus VAT of USD 1,084,938.64
2.2. Price (amount in RUB)	RUB 338,983,050.85, plus VAT of RUB 61,016,949.15
3. Names of parties	OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] (the Club) OAO "LUKOIL" (Sponsor)
4. Names of beneficiaries	-
5. Name of transaction	Sponsorship Agreement (hereinafter the "Agreement").
6. Subject of the transaction	Under the Agreement, the Sponsor provides sponsorship assistance to the Club aimed at preparing the Club's professional sportsmen for national competitions (the Russian Championship, the Russia Cup) and international competitions in accordance with the official match schedule, on terms of distribution of the Sponsor's advertising in accordance with the Agreement.
7. Grounds for status as an interested party	Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Futbolny Klub Spartak-Moskva, and his brother, Andrei Arnoldovich Fedun, is a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva
8. Other material terms of the transaction	The Club is obligated to assign the Sponsor the status of a General Sponsor of OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] and submit draft layouts and samples of advertising materials to the Sponsor for approval, which materials are stipulated by the Agreement. Distribution and placement of the said advertising materials is only admissible after their approval by the Sponsor in writing. At the Sponsor's request, the Club will provide photographic and video materials confirming the Club's performance of its obligations under the Agreement. The Agreement will enter into force from the date of signing and will remain in force till 31.12.2015, and with regard to settlements, until the Parties have discharged their obligations under the Agreement in full. As per the Agreement, payment will be performed by advance wire-transfer by the Sponsor of funds to the Club's settlement account in two installments.
1. Number of the transaction approved by the Board of Directors	8
2.1. Price (amount in USD)	USD 69,262.74
2.2. Price (amount in RUB)	RUB 4,500,000
3. Names of parties	OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union)
4. Names of beneficiaries	-
5. Name of transaction	Donation Contract (hereinafter the "Contract")
6. Subject of the transaction	In accordance with the Contract, the Company will provide the Union with charitable assistance in the form of a donation of monetary funds in the amount of RUB 4,500,000. The Union undertakes to use the funds received for the performance of charter activities in 2015.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President of OAO "LUKOIL", a member of the Board of Directors of OAO "LUKOIL" and Chairman of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Board's Executive Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.
8. Other material terms of the transaction	The date of transfer of funds is the day when they are debited from the Company's settlement account. The Contract enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full.

1. Number of the transaction approved by the Board of Directors	9
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	<p>ОАО RITEK (Principal)</p> <p>ОАО "ЛУКОЙЛ" (Commission Agent)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No.1410115 of 17.03.2014 (hereinafter the "Contract")*
6. Subject of the transaction	<p>In accordance with the Contract, the Commission Agent undertakes on the instructions of the Principal and for a fee to perform transactions involving the sale of oil, hereinafter, the "product", on the export market in its own name, but using the funds of the Principal.</p> <p>In accordance with the Supplement to the Contract:</p> <ul style="list-style-type: none"> - points 5.1, 5.2, 5.3 of section 5 "SETTLEMENT PROCEDURE" of the Contract are set out in a new version which stipulates, in addition to the earlier established procedure for the sale by the Commission Agent of foreign currency funds received from the sale of the product to the Buyer and the procedure for the wire-transfer of the Rouble funds by the Commission Agent to the Principal's account, a procedure for the wire-transfer of the rouble funds by the Commission Agent to the Principal's account if the settlements with the Buyer are made by the Commission Agent in Russian roubles; - point 7.3 of section 7 "LIABILITIES OF THE PARTIES" of the Contract is set out in a new version changing cross-references to the point of the Contract regulating the payment procedure: reference to point 5.2 of the Contract is replaced with references to points 5.1.2 and 5.2.1 of the Contract; - point 7.4 of section 7 "LIABILITIES OF THE PARTIES" of the Contract is set out in a new version changing cross-references to the point of the Contract regulating the cost reimbursement procedure: reference to point 5.5 of the Contract is replaced with references to points 5.2.2 and 5.4 of the Contract.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of ОАО "ЛУКОЙЛ", is simultaneously the Chairman of the Board of Directors of ОАО RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of ОАО RITEK.
8. Other material terms of the transaction	The Supplement will enter into force from the time of its signing, and extends to the legal relations between the Parties arising from 01 January 2015 with respect to the product sold on the export market.
1. Number of the transaction approved by the Board of Directors	10
2.1. Price (amount in USD)	Fee under the Supplemental Agreement – not more than USD 1,500,000, plus VAT of not more than USD 270,000
2.2. Price (amount in RUB)	Fee under the Supplemental Agreement – not more than RUB 102,916,950 plus VAT of not more than RUB 18,525,051
3. Names of parties	<p>ОАО "ЛУКОЙЛ" (Guarantor)</p> <p>ЛУКОЙЛ EURASIA PETROL ANONIM ŞİRKETİ (Borrower)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnification No. 0810575 of 21 July 2008 (hereinafter the "Contract")*.
6. Subject of the transaction	<p>In accordance with the Contract and Supplemental Agreements thereto, the Parties have agreed to deem the amount paid by the Guarantor to The Royal Bank of Scotland PLC and/or The Royal Bank of Scotland PLC Head Office Edinburgh Istanbul Main Branch (the Banks) in fulfillment of obligations under the Guarantee between the Guarantor and the Banks of 21 July 2008 issued as guarantee for meeting the Borrower's liabilities under the Loan Agreements with the Banks of 21 July 2008 (Loan Agreements) worth USD 103,800,000, plus interest, penalties, fines and other amounts due and payable (the Guarantee) as the amount payable by the Borrower to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ol style="list-style-type: none"> 1. Section 3 of the Contract "Payment for the Guarantor services" is set out in a new version which stipulates: <ul style="list-style-type: none"> - the Debtor's obligation to pay the Guarantee Service fee to the Guarantor; - the procedure for determining the cost of the Guarantee Service provided to the Debtor (Service): the Service cost from 06.11.2013 through 14.08.2014 is 0.7 % per annum and from 15.08.2014 – 0.65 % of the Debtor's liabilities to the Banks covered by the Guarantee under the Loan Agreements, calculated for each day of the reporting period; - the reporting period for calculating the Service cost (point 3.3 of the Contract); - the procedure for calculating the Service cost: the Service cost is calculated by the Guarantor on the basis of the Memo on the Debtor's liabilities to the Banks covered by the Guarantee under the Loan Agreements, for each day of the reporting period; the Memo will be prepared by the Debtor in the format provided in Appendix 1 to the Contract; - settlement procedure (payment of the calculated amount is made by the Debtor based on the invoice issued by the Guarantor within 45 calendar days from the date the invoice is issued). 2. Appendix 1 'Memo on the Debtor's liabilities to the Banks covered by the Guarantee under the Loan Agreements' is being added to the Contract set out as Appendix 1 to the Supplemental Agreement to the Contract.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously the Chairman of the Board of Directors of ЛУКОЙЛ Eurasia Petrol Anonim Şirketi.
8. Other material terms of the transaction	The Supplemental Agreement will enter into force from the time of its signing, and extends to the legal relations between the Parties arising from 06 November 2013 with regard to the amounts increasing (or to be increasing in future) the amount of the Guarantee and/or with regard to the period of time by which the term of the Guarantee has been (or will be) extended.

1. Number of the transaction approved by the Board of Directors	11
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 3,344,481.61
2.2. Price (amount in RUB)	The approximate amount of the commission fee is RUB 220,000,000
3. Names of parties	OAo RITEK (Principal) OAo "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission Contract (hereinafter the "Contract")
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes on the instructions of the Principal and for a fee to perform transactions involving the export sale of oil, hereinafter, the "product", to the Republic of Belarus – in its own name, but at the expense and in the interest of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo RITEK.
8. Other material terms of the transaction	The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 220 for each net tonne of the product sold, plus 18% VAT on the amount of the commission fee. The Principal must compensate the Commission Agent for all expenses related to the sale of the Principal's product in accordance with the terms agreed upon in the Contract. The Contract enters into force from the time of its signing and will remain in force until 31 March 2016, and as regards mutual settlements – until they have been completed in full.

1. Number of the transaction approved by the Board of Directors	12
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 6,354,515.05
2.2. Price (amount in RUB)	The approximate amount of the commission fee is RUB 418,000,000
3. Names of parties	OAo RITEK (Principal) OAo "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission Contract (hereinafter the "Contract")
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes on the instructions of the Principal and for a fee to perform transactions involving the sale of oil, hereinafter, the "product", on the export market in its own name, but using the funds of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo RITEK.
8. Other material terms of the transaction	The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 220 for each net tonne of the product sold, plus 18% VAT on the amount of the commission fee. The Principal must compensate the Commission Agent for all expenses related to the sale of the Principal's product in accordance with the terms agreed upon in the Contract. The Contract enters into force from the time of its signing and will remain in force until 31 March 2016, and as regards mutual settlements – until they have been completed in full.

1. Number of the transaction approved by the Board of Directors	13
2.1. Price (amount in USD)	The approximate amount is USD 103,120,000
2.2. Price (amount in RUB)	The approximate amount is RUB 6,461,499,200
3. Names of parties	OAO "LUKOIL" (Seller) IOOO LUKOIL Belorussia (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Supply Contract No. 1010063 of 26 February 2010 (hereinafter the "Contract")*
6. Subject of the transaction	The Contract stipulates that the Seller supplies the Buyer, on CPT terms to railway terminals Zlynka, Krasnoye, Surazh, Rudnya, with the following products: bitumen, bituminous mixes, and bitumen stock – up to 50,000 metric tonnes, fuel oil 100 – up to 50,000 metric tonnes, motor gasoline – up to 50,000 metric tonnes, electrode coke for the aluminium industry FEM – up to 10,000 metric tonnes, of the following producers: OOO LUKOIL-Permnefteorgsintez, OOO LUKOIL Nizhegorodnefteorgsintez, OOO LUKOIL-Vologradneftepererabotka, OOO LUKOIL-UNP, OAO UNPZ, OAO Novoil, OAO Ufanefekhim. The total Contract value in US Dollars calculated as the average price of the product supplied equals USD 103,120,000. Price calculation, terms of payment and the product quality are determined in accordance with Appendices 1 and 2 making an integral part of the Contract. In accordance with the Supplemental Agreement to the Contract, the term of deliveries under the Contract will be extended through 31 March 2016.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of IOOO LUKOIL Belorussia.
8. Other material terms of the transaction	The Supplemental Agreement is an integral part of the Contract. The Contract enters into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	14
2.1. Price (amount in USD)	USD 2,214.31 per month, plus VAT of USD 398.58
2.2. Price (amount in RUB)	RUB 138,172.80 per month, plus VAT of RUB 24,871.10
3. Names of parties	OAO "LUKOIL" (Lessor) Independent non-profit organisation LUKOIL Athletic Club (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Agreement on the lease of non-residential premises No. 0610146 of 01.02.2006 (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement and the Supplemental Agreement thereto, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 63.6 m2, located at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. In accordance with the Supplemental Agreement to the Agreement, from 01.02.2015, the lease fee will increase to RUB 138,172.80 per month, plus VAT of RUB 24,871.10.
7. Grounds for status as an interested party	Evgeny Leonidovich Khavkin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of the Independent non-profit organisation LUKOIL Athletic Club.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 01.02.2015.

1. Number of the transaction approved by the Board of Directors	15
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	<p>ОАО Футбольный клуб «Спартак-Москва» [Spartak Moscow Football Club] (the Club)</p> <p>ОАО «ЛУКОЙЛ» (Sponsor)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Sponsorship Agreement № 1510039 of 10.02.2015 (hereinafter the "Agreement") *.
6. Subject of the transaction	<p>Under the Agreement, the Sponsor provides sponsorship assistance to the Club aimed at preparing the Club's professional sportsmen for national competitions (the Russian Championship, the Russia Cup) and international competitions in accordance with the official match schedule, on terms of distribution of the Sponsor's advertising in accordance with the Agreement.</p> <p>In accordance with the Supplemental Agreement, points 2.1.24 and 2.1.25 are added to the Agreement stipulating the provision to the Sponsor of tickets at its request to each home match that is part of the Russian Championship, the Russia Cup and UEFA competitions, as follows:</p> <ul style="list-style-type: none"> - at least 75 (seventy-five) tickets in the Gold 1 category; - at least 20 (twenty) tickets in the Silver 1 category; - at least 15 (fifteen) Sector C-113 tickets; - at least 29 (twenty-nine) one-time car passes in the P3 category; - at least 11 (eleven) one-time car passes in the PS category. <p>At the Sponsor's individual request, the Club will provide additional tickets in the Gold category for individual matches of the Club.</p>
7. Grounds for status as an interested party	<p>Leonid Arnoldovich Fedun, a member of the Management Committee of ОАО «ЛУКОЙЛ», is simultaneously the Chairman of the Board of Directors of ОАО Футбольный клуб «Спартак-Москва», and his brother, Andrei Arnoldovich Fedun, is a member of the Board of Directors of ОАО Футбольный клуб «Спартак-Москва».</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of ОАО «ЛУКОЙЛ», is simultaneously a member of the Board of Directors of ОАО Футбольный клуб «Спартак-Москва».</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of ОАО «ЛУКОЙЛ», is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of ОАО Футбольный клуб «Спартак-Москва».</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of ОАО «ЛУКОЙЛ», is simultaneously a member of the Board of Directors of ОАО Футбольный клуб «Спартак-Москва».</p>
8. Other material terms of the transaction	The Supplemental Agreement will enter into force from the time of its signing, and extends to the legal relations between the Parties arising from 01.03.2015.
1. Number of the transaction approved by the Board of Directors	16
2.1. Price (amount in USD)	The approximate cost of services is USD 1,500,000.
2.2. Price (amount in RUB)	The approximate cost of services is RUB 93,540,000.
3. Names of parties	<p>ОАО «ЛУКОЙЛ» (Depositor)</p> <p>ЮОО ЛУКОЙЛ Белоруссия (Bailee)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to LPG Storage and Related Services Agreement No.1410830 of 18.11.2014 (hereinafter the "Agreement").*
6. Subject of the transaction	<p>Under the Agreement, the Bailee undertakes on the terms and conditions stipulated by the Agreement, for a fee, to provide storage services for the Liquefied Petroleum Gas (LPG) owned by the Depositor and transferred by the latter to the Depository, and storage services related to the Depositor's LPG; the Depositor undertakes to accept and pay for the services provided.</p> <p>The Bailee undertakes to provide the services as follows:</p> <ul style="list-style-type: none"> • provide/clean, accept and unload rail tanks, issue rail documentation; • return empty rail tanks used for LPG delivery for storage on instructions from the Depositor. • measure the LPG quantity and quality in rail tanks and storage tanks, provision of Rail Tanks Acceptance Acts; • store the Depositor's LPG items keeping their quality and quantity intact; • issue LPG passports; • load the Depositor's LPG in tank cars; • at the Depositor's request, prepare and provide LPG movement reports. <p>LPG batch storage period is no more than one month from the date the LPG Quantity and Quality Acceptance Act is issued.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> - section 'TERMS, DEFINITIONS AND ABBREVIATIONS' is revised to expand the list of the acceptable LPG items; - point 3.2.2 of the Agreement is revised to stipulate that the Depositor is obligated to collect the deposited LPG within 90 days (rather than one month) from the date the LPG Quantity and Quality Acceptance Act is issued.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of ОАО «ЛУКОЙЛ», is simultaneously the Chairman of the Board of Directors of ЮОО ЛУКОЙЛ Белоруссия.
8. Other material terms of the transaction	The Supplemental Agreement will enter into force from the time of its signing, and extends to the legal relations between the Parties arising from 01.01.2015.

1. Number of the transaction approved by the Board of Directors	17
2.1. Price (amount in USD)	The fee will be USD 40,511.17, plus VAT of USD 7,292.01
2.2. Price (amount in RUB)	The fee will be RUB 2,526,276.56, plus VAT of RUB 454,729.74
3. Names of parties	OA0 "LUKOIL" (Guarantor) LUKOIL SERBIA PLC Belgrade (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnification No.0810678 of 20.08.2008 (hereinafter the "Contract").*
6. Subject of the transaction	<p>In accordance with the Contract, the Parties have agreed to deem the amount paid by the Guarantor to Societe Generale Bank Srbija a.d. (Bank) in fulfillment of obligations under the Guarantee between the Guarantor and the Bank of 20.08.2008, issued as guarantee for meeting the Borrower's liabilities under Contract of Overdraft No.00/08 dated 20.08.2008 worth 500,000,000 Serbian dinars, plus interest, penalties, fines and other amounts due and payable (the Guarantee) as the amount payable by the Borrower to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract.</p> <p>In connection with the extension of the Guarantee based on Annex 6 to the Guarantee signed by the Guarantor on 27.09.2013, the Debtor undertakes, within 180 calendar days from the date the Supplemental Agreement is signed, to pay the fee established in US dollars and calculated by the Guarantor proceeding from the amount of 3,447,107.80 Serbian dinars, plus VAT of 620,479.40 Serbian dinars, by re-calculating the Serbian dinars into US dollars at the official Serbian dinar to USD average exchange rate of the National Bank of Serbia as of the date the services on the extension of the Guarantee are provided and published on www.nbs.rs on the same date.</p>
7. Grounds for status as an interested party	Vadim Nikolayevich Vorobyov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SERBIA PLC Belgrade.
8. Other material terms of the transaction	<p>The date of provision of the services on extending the Guarantee under the Supplemental Agreement is the date of signing of Annex 6 to the Guarantee.</p> <p>The fee related to the extension of the Guarantee stipulated by the Supplemental Agreement is payable irrespective of the fee established by Supplemental Agreement No. 0810678 0001 of 26.09.2014 to the Contract based on Annex to the Guarantee No. 0810717 0007 of 26.09.2014.</p>
1. Number of the transaction approved by the Board of Directors	18
2.1. Price (amount in USD)	USD 316,040,224.20
2.2. Price (amount in RUB)	RUB 19,171,000,000
3. Names of parties	OOO Bashneft-Polus (Borrower) OA0 "LUKOIL" (Lender)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement № 1210022 of 19.01.2012 (hereinafter the "Agreement").*
6. Subject of the transaction	<p>The Lender will provide monetary funds to the Borrower in an amount of up to RUB 14,443,000,000, pursuant to the terms of the Agreement and Supplemental Agreements thereto and in accordance with the conditions and rules established by the Contract on the terms for financing by the Participants of the operations of OOO Bashneft-Polus No. 1111116 dated 27 December 2011 (hereinafter the "Contract"), concluded between the Borrower, the Lender and OA0 Joint Stock Oil Company Bashneft, on conditions of repayment, interest payment, maturity and targeted use. The Borrower undertakes to use the monetary funds received for their targeted purpose, and to repay the amount of the loan received to the Lender and to pay the interest accrued thereon by the dates and according to the procedure established by the Agreement and Contract.</p> <p>In accordance with the Supplemental Agreement to the Loan Agreement, point 2.1 of the Agreement is set out in a new version stipulating an increase of the loan amount to RUB 19,171,000,000.</p>
7. Grounds for status as an interested party	Azat Angamovich Shamsuarov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of OOO Bashneft-Polus.
8. Other material terms of the transaction	<p>All other terms remain unchanged.</p> <p>The Supplemental Agreement will enter into force on its signing by the Parties' authorised representatives.</p>

1. Number of the transaction approved by the Board of Directors	19
2.1. Price (amount in USD)	The fee will be USD 95,064.84, plus VAT of USD 17,111.67
2.2. Price (amount in RUB)	The fee will be RUB 5,766,633.19, plus VAT of RUB 1,037,993.90
3. Names of parties	OAO "LUKOIL" (Guarantor) LUKOIL SERBIA PLC Belgrade (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnification No. 0910579 of 03.09.2009 (hereinafter the "Contract")*
6. Subject of the transaction	In accordance with the Contract, the Parties have agreed to deem the amount paid by the Guarantor to Societe Generale Bank Srbija a.d. (Lender) in fulfillment of obligations under the Guarantee between the Guarantor and the Lender, issued as guarantee for meeting the Borrower's liabilities under the Credit Line dated 02.09.2009 worth USD 10,000,000, plus interest, penalties, fines and other amounts due and payable (the Guarantee) as the amount payable by the Borrower to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract. In connection with the extension of the Guarantee dated 03.09.2009 based on the Annex to the Guarantee signed by the Guarantor on 27.09.2013, the Debtor undertakes to pay the fee of USD 95,064.84, plus VAT of USD 17,111.67, within 180 calendar days from the date the Supplemental Agreement is signed.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SERBIA PLC Belgrade.
8. Other material terms of the transaction	The date of provision of the services on extending the Guarantee under the Supplemental Agreement is the date of signing of the Annex. The fee related to the extension of the Guarantee stipulated by the Supplemental Agreement is payable irrespective of the fee established by Supplemental Agreement No.09105790001 of 26.09.2014 to the Contract based on the Agreement on Amendments to the Guarantee No.09106430005 of 26.09.2014.
1. Number of the transaction approved by the Board of Directors	20
2.1. Price (amount in USD)	EUR 17,900,000
2.2. Price (amount in RUB)	RUB 1,197,868,000
3. Names of parties	OAO "LUKOIL" (Guarantor) LUKOIL SERBIA PLC Belgrade (Buyer) NAFTNA INDUSTRIJA SRBIJE j.s.c (NIS)
4. Names of beneficiaries	-
5. Name of transaction	Annex to Parent Guaranty Agreement No. 1410404 of 08.07.2014 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Guarantor irrevocably and unconditionally guarantees to NIS the due and punctual payment of any and all of the Guaranteed Obligations of the Buyer under the Agreement for the purchase of oil products No. 1/31-4/1/1-289/P dated 27.01.2012 and Annexes No.1-8 thereto, LPG Purchase and Sale Contract No. PRO610000/UD-PR/8863 dated 21.05.2013 and Annex 1 thereto, and any oil products purchasing contract that might be entered into between NIS and the Buyer during effective period of the Parent Guaranty Agreement, up to the aggregate value of EUR 19,900,000, whether at maturity, at any stated prepayment date by reason of acceleration, or otherwise, as may be agreed by NIS and the Buyer. In accordance with the Annex to the Agreement: - in section 'DEFINITIONS' of the Agreement the list of contracts entailing the Guaranteed Obligations are changed as follows: Contracts mean Agreement for the purchase of oil products No.PRO670000/UD-Pr/01277 dated 03.02.2015; Agreement for the purchase of oil derivatives No.PRO670000/UD-Pr/16157 dated 29.12.2014 and any oil products purchasing contract that might be entered into between NIS and the Buyer during effective period of the Parent Guaranty Agreement; - the second paragraph of article 1 of the Agreement is set out in a new version stipulating a reduction of the Guaranteed Obligations to EUR 17,900,000; - the second paragraph of article 7 of the Agreement is set out in a new version stipulating a revised term of the Agreement from 30.06.2015 till 01.04.2016 inclusive.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SERBIA PLC Belgrade.
8. Other material terms of the transaction	-

1. Number of the transaction approved by the Board of Directors	21
2.1. Price (amount in USD)	The approximate amount is USD 30,000,000
2.2. Price (amount in RUB)	The approximate amount is USD 1,880,400,000
3. Names of parties	0AO "LUKOIL" (Seller) IOOO LUKOIL Belorussia (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Supply Contract (hereinafter the "Contract")
6. Subject of the transaction	The Seller undertakes to supply and the Buyer undertakes to accept and pay for the goods – Liquefied Petroleum Gases (LPG) of up to 100,000 metric tonnes from the following producers: 000 LUKOIL-Permnefteorgsintez, 000 LUKOIL-Volgogradneftepererabotka, 000 LUKOIL-KGPZ, 000 LUKOIL-Nizhegorodnefteorgsintez on the terms of delivery CPT Krasnoe, Rudnya Surazh, Zlynka stations (exp.). The period of delivery – from the date the Contract is signed to 31.03.2016 inclusive in accordance with the volume of supplies approved by the Parties on a monthly basis. The Contract is worth USD 30,000,000.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of IOOO LUKOIL Belorussia.
8. Other material terms of the transaction	Price calculation, terms of payment and the quality of goods will be determined in accordance with Appendices 1 and 2 making an integral part of the Contract. The title to the goods and all risks of accidental loss or injury of the goods will be transferred to the Buyer upon affixing the loading station stamp to the rail waybills (i.e. the date of the stamp on the loading station rail waybills). The Contract enters into force from the date of its signing and shall remain in effect until the Parties completely perform their obligations under the Contract, and until payments are effected in full.
1. Number of the transaction approved by the Board of Directors	22
2.1. Price (amount in USD)	USD 1,295.62 per month, plus VAT of USD 233.21.
2.2. Price (amount in RUB)	RUB 77,776.02 per month, plus VAT of RUB 13,999.68.
3. Names of parties	0AO "LUKOIL" (Lessor) Non-Profit Organisation LUKOIL Charitable Foundation (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Agreement on the lease of non-residential premises No. 0710169 of 16.03.2007 (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement the Lessor provides to the Lessee for temporary use the non-residential premises (rooms No. 16 and 17) with a total area of 34.2 m2, located in Premise No.1 on the fourth floor of Building B at the address: Sretensky bulvar 11, Moscow. In accordance with the Supplemental Agreement to the Agreement, from 01.06.2015, the lease fee will increase to RUB 77,776.02 per month, plus VAT of RUB 13,999.68.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Foundation Board. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.

1. Number of the transaction approved by the Board of Directors	23
2.1. Price (amount in EUR)	EUR 17,900,000; the fee will EUR 121,756.13, plus VAT of EUR 21,916.10
2.2. Price (amount in RUB)	RUB 1,111,232,000; the fee will EUR 7,558,620.55, plus VAT of RUB 1,360,551.49.
3. Names of parties	OAO "LUKOIL" (Guarantor) LUKOIL SERBIA PLC Belgrade (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Annex to Indemnity Agreement No. 1410401 of 08.07.2014 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Parties agreed to deem the amount paid by the Guarantor in favour of NAFTNA INDUSTRIJA SRBIJE j.s.c (NIS) in fulfillment of obligations under the Parent Guaranty Agreement No. 1410404 of 08.07.2014 between the Guarantor, the Debtor and NIS (Parent Guaranty Agreement) entered into to guarantee to NIS the payment of the Debtor's obligations to NIS under the Agreement for the purchase of oil products No. 1/31-4/1/1-289/P dated 27.01.2012, LPG Purchase and Sale Contract No. PR0610000/UD-PR/8863 dated 21.05.2013, and any oil products purchasing contract that might be entered into between NIS and the Debtor during effective period of the Parent Guaranty Agreement, up to the aggregate value of EUR 19,900,000, plus interest, penalties, fines and other amounts due and payable as the amount payable by the Debtor to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract. In accordance with the Annex to the Agreement in connection with a reduction of the Guarantor's obligations to EUR 17,900,000 and the extension of the term of the Parent Guaranty Agreement, the Debtor undertakes within 180 days from the date the Annex is signed to effect payment of the Guarantor's fee in an amount of EUR 121,756.13, plus VAT of EUR 21,916.10, based on the invoice issued by the Guarantor.
7. Grounds for status as an interested party	Vadim Nikolayevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SERBIA PLC Belgrade.
8. Other material terms of the transaction	The date of provision of the services under the Annex is the date of signing of the Annex. The Annex enters into force from the date of its signing.
1. Number of the transaction approved by the Board of Directors	24
2.1. Price (amount in USD)	USD 98,019.80
2.2. Price (amount in RUB)	RUB 4,950,000
3. Names of parties	OAO "LUKOIL" (Company) International Association of Trade Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Donation agreement (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement the Company undertakes to transfer a donation to to the Association in monetary terms for the purposes of supporting the LUKOIL Veterans Board in accordance with its Budget of Expenses for 2015 making an integral part of the Agreement.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Ivan Alexeevich Maslyaev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".
8. Other material terms of the transaction	The Company has the right to exercise control over the use of the funds transferred. The Association undertakes to provide the Company with a report on the use of transferred funds by 31 March 2016. If funds are used for purposes other than the designated purpose, the Association undertakes to return the amount received within 10 days from the date it receives the Company's demand for repayment of previously transferred funds. The Agreement enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full.

1. Number of the transaction approved by the Board of Directors	25
2.1. Price (amount in USD)	Quarterly cost of services equals USD 806,233.52 , plus VAT of USD 145,122.03.
2.2. Price (amount in RUB)	Quarterly cost of services equals RUB 40,714,793 , plus VAT of RUB 7,328,662.74.
3. Names of parties	OAO "LUKOIL" (Contractor) OAO RITEK (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to comprehensive services contract No. 0811161 of 25 December 2008 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation. In accordance with the Supplemental Agreement to the Contract, point 3.1 of the Contract is given in a new version establishing that since 01.01.2015 the quarterly cost of services shall equal RUB 40,714,793, plus VAT of RUB 7,328,662.74.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in effect from 1 January 2015.
1. Number of the transaction approved by the Board of Directors	26
2.1. Price (amount in USD)	The approximate amount of commission fee is USD 366,910.75.
2.2. Price (amount in RUB)	The approximate amount of commission fee is RUB 18,540,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission Agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale on the external market of the Principal's oil (hereinafter the "Commodity"), in its own name and at the expense of the Principal, on terms of FOB Kamenny (Obskaya Guba) and/or FOB Murmansk.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The amount of the commission fee payable by the Principal to the Agent is RUB 180 for each net tonne of the commodity sold to the Buyer, plus VAT at the rate of 18% of the amount of the commission fee. Prior to loading the Agent shall coordinate with the Principal the terms of the export contract, including the terms of loading tankers, laytime, time of presentation of tankers for loading , expected arrival time for tankers, dead freight, demurrage, quality and quantity of the commodity. The Principal must compensate the Commission Agent for all expenses related to the sale of the Principal's commodity in accordance with the terms agreed upon in the Contract. The Agreement enters into force from the time of its signing and will remain in force until 30 June 2016, and as regards mutual settlements – until they have been completed in full.
1. Number of the transaction approved by the Board of Directors	27
2.1. Price (amount in USD)	The fees for the Services equal USD 3,786.97, plus VAT of USD 681.65
2.2. Price (amount in RUB)	The fees for the Services equal RUB 194,915.25, plus VAT of RUB 35,084.75
3. Names of parties	OAO "LUKOIL" (Client) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Contractor)
4. Names of beneficiaries	-
5. Name of transaction	Contract on the provision of services (hereinafter the Contract).
6. Subject of the transaction	Pursuant to the Contract, the Contractor undertakes to provide the Client with services on the organization and conduct of public certification of the non-financial <i>2013-2014 Sustainable Development Report in the Russian Federation</i> and the Client undertakes to pay for the services provided.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President of OAO "LUKOIL", a member of the Board of Directors of OAO "LUKOIL" and Chairman of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Board's Executive Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.
8. Other material terms of the transaction	The fees for the Services under the Contract shall equal 194,915.25, plus VAT (18%) of RUB 35,084.75, with the sum total of the Contract being RUB 230,000. The period of provision of services shall be from the time the Contract is signed to 01 September 2015. The Contract will enter into force from the time of its signing, and will remain in force until the Parties have performed their obligations in full.

1. Number of the transaction approved by the Board of Directors	28
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	ОАО "ЛУКОЙЛ" (Company) International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ" (Association)
4. Names of beneficiaries	
5. Name of transaction	Supplemental Agreement to Contract on the gratuitous use of non-residential premises No.1010582 dated 01.09.2010 (hereinafter the "Contract")*.
6. Subject of the transaction	Pursuant to the Contract, the Company provides to the Association for gratuitous use non-residential premises with a total area of 408.1 m2, located in the building at the address: 5 Ulansky pereulok, building 1, Moscow. In accordance with the Supplemental Agreement to the Contract: - on 01.05.2015 the Company additionally provides to the Association for gratuitous use non-residential premises – room No. 2b with a total area of 15.3 m2 located on the first/ground floor of the Company-owned building at the address: 4 Ulansky pereulok, building 1, Moscow (based on the passport issued by the Technical Inventory Bureau); - the value of the premises being transferred is RUB 1,802,178.47; - from 01.05.2015, the total floor space of the premises transferred for gratuitous temporary use shall equal 423.4 m2; - from 01.05.2015, the total value of the premises transferred for gratuitous temporary use shall equal RUB 49,808,747.46.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ". Ivan Alexeevich Maslyaev, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ". Anatoly Alexeevich Moskalenko, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing and extends to legal relations of the Parties arising from 01.05.2015.
1. Number of the transaction approved by the Board of Directors	29
2.1. Price (amount in USD)	The agency fee will be USD 848.63, plus VAT of USD 152.75. The amount of the Agent's recoverable expenses is USD 11,625.20.
2.2. Price (amount in RUB)	The agency fee will be RUB 42,253.29, plus VAT of RUB 7,605.42. The amount of the Agent's recoverable expenses is RUB 578,818.71.
3. Names of parties	ОАО "ЛУКОЙЛ" (Agent) LUKOIL NORTH AMERICA LLC (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Agency Agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Agent undertakes, in its own name, and in the interest and at the expense of the Principal, to conclude Supplemental Agreements to General Agreement No. 1310447 of 01.07.2013 on subscribing to Electronic Information Products with Platts, a division of McGraw-Hill Financial, Inc. (hereinafter "Supplemental Agreements"), and the Principal undertakes to reimburse the expenses incurred by the Agent and pay the Agent the established remuneration.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobiev, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC
8. Other material terms of the transaction	The Agent undertakes to conclude in its own name Supplemental Agreements to General Agreement No. 1310447 of 01.07.2013 on subscribing to Electronic Information Products with Platts, including a subscription to Platts Reports PDF and Platts Real-Time. The term of provision of services is from 09 December 2014 to 30 June 2016. The Agent undertakes to provide the Principal with a report within 10 business days from the Supplemental Agreement is signed and an Agent's report on each payment to Platts for the information subscription, within 5 calendar days from the date of payment. The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the discharge of agency assignments, and to make the reimbursement not later than 20 business days from the date of performance of the assignment. The Principal must pay the Agent remuneration for the performance of agency assignments in the amount of 7.3% of reimbursable expenses to the Agent, plus Russian VAT of 18%. The Agreement enters into force from the date of its signing by the authorised representatives of the Parties, extends to relations of the Parties from 09 December 2014, and will remain in force until the Parties have discharged their obligations in full.

1. Number of the transaction approved by the Board of Directors	30
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	PJSC "LUKOIL" (Company) International Association of Trade-Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Uncompensated/Gratuitous Use Contract No. 0310992 of 27.07.2003 (hereinafter the 'Contract').*
6. Subject of the transaction	<p>Pursuant to the Contract and in execution of point 9.1.1 of the Agreement between the Employer and the Trade Union Association of OAO "LUKOIL" for 2015-2017, the Company provides the office equipment, furniture and other office devices (hereinafter the 'Property') on the Company's balance sheet for the gratuitous use of the Association in accordance with the List of Items (Appendix 1) making an integral part of the Contract, in condition suitable for appropriate use.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ul style="list-style-type: none"> - on 30 June 2015 the Association will transfer and the Company will accept under a transfer and acceptance certificate the office equipment (monitors, computers) in the amount of eight items; - from 1 July 2015 the total value of the property transferred to the Association under the Contract will be RUB 7,177,483.12.
7. Grounds for status as an interested party	<p>Sergei Petrovich Kukura, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Ivan Alexeevich Maslyaev, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p>
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	31
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	PJSC "LUKOIL" (Company) International Association of Trade-Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Uncompensated/Gratuitous Use Contract No. 0310992 of 27.07.2003 (hereinafter the 'Contract').*
6. Subject of the transaction	<p>Pursuant to the Contract and in execution of point 9.1.1 of the Agreement between the Employer and the Trade Union Association of OAO "LUKOIL" for 2015-2017, the Company provides the office equipment, furniture and other office devices (hereinafter the 'Property') on the Company's balance sheet for the gratuitous use of the Association in accordance with the List of Items (Appendix 1) making an integral part of the Contract, in condition suitable for appropriate use.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ul style="list-style-type: none"> - the Company name is made consistent with the norms of Article 4 of Part 1 of the Civil Code of the Russian Federation; - on 31 July 2015 the Association will transfer and the Company will accept under a transfer and acceptance certificate the office equipment (a monitor, printers and a computer HD) in the amount of four items; - from 01 August 2015 the total value of the property transferred to the Association under the Contract will be RUB 7,130,281.75.
7. Grounds for status as an interested party	<p>Sergei Petrovich Kukura, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Ivan Alexeevich Maslyaev, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p>
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing and extends to legal relations of the Parties arising from 06.07.2015.

1. Number of the transaction approved by the Board of Directors	32
2.1. Price (amount in USD)	Monthly rental payments will come to USD 463.53 plus VAT in the amount of USD 83.44.
2.2. Price (amount in RUB)	Monthly rental payments will come to RUR 27,913.65 plus VAT in the amount of RUR 5,024.46.
3. Names of parties	PJSC "LUKOIL" (Lessor) LLC Spartak Stadium (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplement Agreement to Non-Residential Premises Lease Agreement No. 0810612 as of July 14, 2008 (hereinafter – the Agreement).*
6. Subject of the transaction	Under the Agreement the Lessor shall assign non-residential premises with a total area of 16.9 square meters, in particular, room No. 77 located in Office VIII, in the basement of the building at the address: Moscow, Pokrovsky Boulevard, 3, bldg. 1, to the Lessee for temporary use. Under the Supplement Agreement: - the name of the Lessor was brought into compliance with the provisions of Chapter 4, Part 1 of the Civil Code of the Russian Federation; - starting from July 01, 2015, the rental payment shall be raised from RUR 19,110.17/1 square meters of the total area per year, plus VAT in the amount of RUR 3,439.83 up to RUR 19,820.34/1 square meter of the total area per year, plus VAT in the amount of RUR 3,567.66; - starting from July 01, 2015, monthly rental payments will come to RUR 27,913.65 plus VAT in the amount of RUR 5,024.46.
7. Grounds for status as an interested party	Leonid Arnoldovich Fedun, a member of the Board of Directors of PJSC "LUKOIL", is the brother of Andrey Arnoldovich Fedun, a member of the Board of Directors of LLC Spartak Stadium, General Director of LLC Spartak Stadium.
8. Other material terms of the transaction	The Supplement Agreement shall come into force the date it was signed and cover the relations of the Parties arising from July 01, 2015; as for the change in the Lessor's name – from July 06, 2015.
1. Number of the transaction approved by the Board of Directors	33
2.1. Price (amount in USD)	Financial conditions are not provided for.
2.2. Price (amount in RUB)	Financial conditions are not provided for.
3. Names of parties	PJSC "LUKOIL" (Company) Federal State Budgetary Institution of Higher Professional Education O.E. Kutafin Moscow State Law University (University)
4. Names of beneficiaries	-
5. Name of transaction	On-the-Job-Training Agreement for students of Federal State Budgetary Institution of Higher Professional Education O.E. Kutafin Moscow State Law University (hereinafter – the Agreement).
6. Subject of the transaction	Under the Agreement the Parties shall be obliged to jointly organize the on-the-job training (hereinafter – the training) for the University students of the law faculty in the structural subdivisions of the Company responsible for legal support of the Company's activities, and in the Company's subsidiary, LLC LUKOIL-Tsentnefteprodukt (Legal Support Department).
7. Grounds for status as an interested party	Victor Vladimirovich Blazhev – a member of the Board of Directors of PJSC "LUKOIL", President of Federal State Budgetary Institution of Higher Professional Education O.E. Kutafin Moscow State Law University
8. Other material terms of the transaction	The duration of the on-the-job training shall be 9 months (4 times a week, 4 hours per day) from September 07, 2015 to June 07, 2016. The relations of the Parties under the Agreement do not provide for mutual financial settlements, as well as the Company's obligations as to further job placement of the students. The Agreement shall come into force after it is signed by the Parties and be valid until Parties' full discharge of their obligations.

1. Number of the transaction approved by the Board of Directors	34
2.1. Price (amount in USD)	Credit line of USD 15,000,000, plus interest of no more than USD 300,000, fee of USD 150,000, plus VAT of USD 27,000
2.2. Price (amount in RUB)	Credit line of RUB 948,150,000, plus interest of no more than RUB 18,963,000, fee of RUB 9,481,500, plus VAT of RUB 1,706,670
3. Names of parties	PJSC "LUKOIL" (Guarantor) LUKOIL NORTH AMERICA LLC (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnity No. 1110663 of 29.08.2011 (hereinafter the "Contract").*
6. Subject of the transaction	<p>Under the Contract, the Parties agreed to consider an amount paid by the Guarantor to Citibank N.A (Bank) in performance of obligations under the Guarantee between the Guarantor and the Bank issued as security for performance of obligations by the Debtor under the Letter of Credit of 29.08.2011 (Credit Agreement) to be the amount payable by the Debtor to the Guarantor including the interest for the funds' use on the terms, within the deadlines and in accordance with the procedure stipulated in the Contract.</p> <p>In connection with decreasing the Guarantor's obligations to USD 15,000,000 and extending the maturity of the Guarantee No. 1110663 of 29.08.2011 based on the Guarantor's letter, the following amendments and addenda are being made to the Contract:</p> <ul style="list-style-type: none"> - point 1.1 of Article 1 of the Contract "Subject of the Contract" is being reworded to state that the Parties enter into a Contract in connection with a Guarantee between the Guarantor and the Bank issued as security for performance of obligations by the Debtor under the Credit Agreement for the maximum amount of USD 15,000,000, plus interest, fines, penalties and other guaranteed payments; - point 3.2 of Article 3 "Payment for the Services of the Guarantor" of the Contract is revised to stipulate that the cost of the service of the Guarantee for the Debtor's obligation (Service) amounts to 0.6% per annum of the amount of the Debtor's obligations to the Bank covered by the Bank under the Credit Agreement and calculated for each day of the reporting period. In calculating the amount payable for the Service provided the actual number of days in a year shall be used (365/366), plus VAT in the amount established by the current Russian law.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	Other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the date of signing by the Parties.
1. Number of the transaction approved by the Board of Directors	35
2.1. Price (amount in USD)	Credit line of USD 15,000,000, plus interest of no more than USD 300,000
2.2. Price (amount in RUB)	Credit line of RUB 948,150,000, plus interest of no more than RUB 18,963,000
3. Names of parties	PJSC "LUKOIL" (Guarantor) Citibank, N.A. (Administrative Agent)
4. Names of beneficiaries	LUKOIL NORTH AMERICA LLC (Borrower).
5. Name of transaction	Letter No. 4 of Reaffirmation of Surety Agreement No. 1110683 of 29 August 2011 (hereinafter the "Letter of Reaffirmation")*
6. Subject of the transaction	<p>In accordance with Surety Agreement No. 1110683 of 29 August 2011 (Guarantee), the Guarantor guarantees performance of the Borrower's obligations to the Administrative Agent and the Lenders under Surety Agreement of 29 August 2011 (Credit Agreement) in the amount of the principal debt of USD 20,000,000 plus interest (at the rate of 2.00% per annum for Eurodollar Loans, 1.50% per annum for Loans at the Established Rate), fines, commission fees, costs, expenses and other guaranteed payments.</p> <p>In accordance with the Letter of Reaffirmation, the Guarantor confirms its obligations under the Guarantee in connection with Extension and Amendment No. 4 to the Credit Agreement, whereby the maturity of the Credit Agreement is being extended, the Guarantee is retained in full and the change in the name of the Guarantor is supported by source documents.</p>
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	The Letter shall be governed by and construed in accordance with the laws of the State of New York.

1. Number of the transaction approved by the Board of Directors	36
2.1. Price (amount in USD)	USD 16,000,000 and the cost of the Guarantor's services of USD 170,000, plus VAT of USD 30,600.
2.2. Price (amount in RUB)	RUB 1,039,040,000 and the cost of the Guarantor's services of RUB 11,039,800, plus VAT of RUB 1,987,164.
3. Names of parties	PJSC "LUKOIL" (Guarantor) LUKOIL NORTH AMERICA LLC (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Indemnity Contract No.1310786 of 06.12.2013 (hereinafter the "Contract").
6. Subject of the transaction	In connection with the second Amended and Restated Guarantee (Guarantee) signed on 06.12.2013 between the Guarantor and Phillips 66 Company (Seller) extending the Guarantee's validity, the Parties agree to amend the Contract as follows: - point 1.1 of the Contract shall be revised to stipulate that the Contract is entered into in connection with the Guarantee under which the Guarantor undertakes responsibility to the Seller for the due performance of obligations by the Debtor under the Light Oil Sales Agreement, Contract 358884 of 27.09.2013, with later amendments and addenda, and under oil products sales contracts to be concluded prior to 30.09.2016 between the Seller and the Buyer (the "Sales Contracts"), in a total aggregate amount not exceeding \$16,000,000, plus all reasonable and documented out-of-pocket expenses of enforcing this Guarantee (including legal service expenses, court expenses, administrations cost of execution of received order if necessary); - point 3.1 of the Contract shall be revised to restate the cost of the Guarantor's services from 0.65% to 0.6% per annum of the Debtor's debt to the Seller covered by the Guarantee arising under the Sales Contracts for each day of the reporting period, plus VAT in an amount established by the applicable Russian law.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	Other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	37
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	PJSC "LUKOIL" (Contractor) OAO RITEK (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Comprehensive Services Contract No. 0811161/09W0017 of 25 December 2008 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation. In accordance with the Supplemental Agreement to the Contract, the Parties have agreed that in executing point 6 of the List of Services associated with the support, proper organisation and coordination of production, commercial and other types of operations of the Client, which may be provided under the Contract by the Financial Block (Appendix No. 1 to the Contract), they will be guided by the Rules of Procedure for provision of comprehensive services on the organisation of non-cash payments and for interaction with credit organizations, pursuant to Appendix No. 1 to the Supplemental Agreement. Appendix No. 1 to the Supplemental Agreement shall be deemed Appendix No. 3 to the Contract.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	Supplemental Agreement enters into force from the date of signing by the Parties and makes an integral part of the Contract.

1. Number of the transaction approved by the Board of Directors	38
2.1. Price (amount in USD)	Credit line of USD 50,000,000, plus interest of no more than USD 1,125,000
2.2. Price (amount in RUB)	Credit line of RUB 3,324,000,000, plus interest of no more than RUB 74,790,000
3. Names of parties	PJSC "LUKOIL" (Guarantor) Citibank Anonim Şirketi (Bank)
4. Names of beneficiaries	LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Principal)
5. Name of transaction	Corporate Guarantee for Specific Liabilities (Guarantee).
6. Subject of the transaction	In accordance with the Guarantee, the Guarantor guarantees to the Bank the due and punctual performance of all the Principal's Obligations under the Credit Agreement signed between the Principal and the Bank with the credit line maturity of 364 days (Credit Agreement), in Turkish Lira. The amount of the Guarantor's liability under this Guarantee shall be limited to a principal amount of up to USD 50,000,000 plus all accrued interest, penalties, fees and documented costs, expenses and other amounts payable (or stated to be payable) to the Bank under or in connection with the Credit Agreement. The Guarantor undertakes with the Bank that whenever the Principal does not pay any amount when due under or in connection with the Agreement, the Guarantor shall within five (5) Business Days of demand by the Bank pay that amount.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞİRKETİ
8. Other material terms of the transaction	This Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.
1. Number of the transaction approved by the Board of Directors	39
2.1. Price (amount in USD)	Credit line of USD 50,000,000, plus interest of no more than USD 1,125,000; fee of USD 700,000, plus VAT of USD 126,000
2.2. Price (amount in RUB)	Credit line of RUB 3,324,000,000, plus interest of no more than RUB 74,790,000; fee of RUB 46,536,000, plus VAT of RUB 8,376,480.
3. Names of parties	PJSC "LUKOIL" (Guarantor) LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Borrower)
4. Names of beneficiaries	
5. Name of transaction	Contract of Indemnity (hereinafter the "Contract")
6. Subject of the transaction	<p>The Parties have entered into an agreement in connection with the Corporate Guarantee for Specific Liabilities (Guarantee) between the Guarantor and Citibank Anonim Şirketi (Bank) being entered into in order to guarantee to the Bank the due and punctual performance of all the Borrower's Obligations under the Credit Agreement (Credit line in Turkish Lira) for the aggregate amount of up to USD 50,000,000 (Credit Agreement), plus interest, fines, penalties and other guaranteed payments.</p> <p>The Parties have agreed that the amount paid by the Guarantor to the Bank in performance of obligations under the Contract of Indemnity shall be considered the amount due and payable by the Borrower to the Guarantor with interest, on the terms, by the deadlines, and pursuant to the procedure determined by the Contract.</p>
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞİRKETİ.
8. Other material terms of the transaction	<p>The Borrower undertakes to pay service fee to the Guarantor for providing the Guarantee for the Borrower's obligations. The cost of the service of Guarantee for the Borrower's obligation (Service) amounts to 0.6% per annum of the amount of the Borrower's obligations to the Bank covered by the Guarantee under the Credit Agreement and calculated for each day of the reporting period.</p> <p>The calculation of the Service cost shall be performed by the Guarantor on the basis of a Report on the Borrower's obligations to the Bank covered by the Guarantee under the Credit Agreement for each day of the reporting period, prepared by the Borrower in the format provided in Annex 1 to the Contract.</p> <p>The Borrower will pay the Guarantor interest at a rate of LIBOR 3M+3% per annum on the funds to be transferred by the Guarantor to the Bank in performance of the obligations under the Contract of Indemnity. LIBOR 3M shall be deemed to mean (for any payment) the rate used by leading banks on the London Interbank Market for offering deposits in US Dollars with three-month maturity two business days prior to the performance by the Guarantor of obligations under the Contract of Indemnity.</p> <p>The Contract enters into force from the date of signing and will remain in effect until the performance by the Parties of their obligations in full.</p>

1. Number of the transaction approved by the Board of Directors	40
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	PJSC "LUKOIL" (Contractor) OAO RITEK (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to comprehensive services contract No. 0811161 of 25 December 2008 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation. In accordance with the Supplemental Agreement to the Contract, point 5.6 is being added to article 5 "Liability of the Parties" whereby no interest is calculated or paid under the Contract on the debt amount ('Interest on a Pecuniary Obligation') for the period of use of the funds provided, as stipulated by article 317.1 of the Civil Code of the Russian Federation.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing by the Parties.
1. Number of the transaction approved by the Board of Directors	41
2.1. Price (amount in USD)	USD 16,000,000
2.2. Price (amount in RUB)	RUB 1,067,520,000
3. Names of parties	PJSC "LUKOIL" (Guarantor) Phillips 66 Company (Seller)
4. Names of beneficiaries	LUKOIL NORTH AMERICA LLC (Buyer)
5. Name of transaction	Amended And Restated Guarantee set out in version 2 (hereinafter, the "Guarantee").*
6. Subject of the transaction	The Parties decided to amend and restate Guarantee No. 1310784 of 06.12.2013 setting it out in version 2 (the "Amended And Restated Guarantee"), whereby the Guarantor in favour of the Seller unconditionally and irrevocably guarantees timely fulfilment of the obligations undertaken by LUKOIL NORTH AMERICA LLC to the Seller according to the Light Oil Sales Agreement, Contract 358884 with amendments and addenda effective October 1, 2015 and expiring September 30, 2016, and other oil products sales contracts to be concluded prior to 30.09.2016 between the Buyer and the Seller (the "Sales Contracts"). The liability of the Guarantor under this Guarantee is limited to a total aggregate amount of \$16,000,000 plus all reasonable and documented out-of-pocket expenses of enforcing this Guarantee (including, but not limited to, legal service expenses, court expenses, administrations cost of execution of received order if necessary).
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	This Guarantee shall be effective from the moment it is executed through November 30, 2016, with respect to all of the Buyer's payment obligations under the Sales Contracts. The Guarantor's liabilities shall expire if the Buyer completely fulfills its payment obligation to the Seller, provided that any written claims issued by the Seller stating that the Buyer has failed to meet its payment obligations must be received by the Guarantor not later than 30.11.2016. The Guarantor's obligations expire in the following circumstances (whichever is earlier): - if the Buyer performs its payment obligations to the Seller in full under the Sales Contracts; - if the Guarantor fulfills Buyer's payment obligations to the Seller; - and upon expiry of the Guarantee's validity. This Guarantee shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflicts of laws principle.

1. Number of the transaction approved by the Board of Directors	42
2.1. Price (amount in USD)	Credit line of USD 5,000,000 plus Bank fee of up to USD 225,000
2.2. Price (amount in RUB)	Credit line of RUB 333,600,000 plus Bank fee of up to RUB 15,012,000
3. Names of parties	PJSC "LUKOIL" (Guarantor) SOCIETE GENERALE BANKA SRBIJA a.d. Beograd (Lender)
4. Names of beneficiaries	LUKOIL SRBIJA AD BEOGRAD (Borrower)
5. Name of transaction	AMENDMENT DEED NO. 6 TO THE DEED OF GUARANTEE No. 0910643 dated 03.09.2009 (Deed of Guarantee).*
6. Subject of the transaction	<p>Under the Deed of Guarantee, the Guarantor unconditionally and irrevocably guarantees the Lender fulfilment of all of the obligations undertaken by the Borrower under the Facility Agreement signed between the Lender and the Borrower on 02.09.2009 (Facility Agreement), for the amount not exceeding USD 10,000,000 plus all accrued interest, penalties, fees, documented costs, expenses and other amounts payable by the Borrower under the Facility Agreement.</p> <p>In accordance with the Amendment Deed to the Deed of Guarantee:</p> <ul style="list-style-type: none"> - the Guarantor's liabilities under the Deed of Guarantee are confirmed in full and the Deed of Guarantee is confirmed to remain in full force and effect in connection with extension of the validity of the Facility Agreement to September 25, 2018; - The Guarantor's liability under the Deed of Guarantee shall be limited to a principal amount of USD 5,000,000 plus all accrued interest, penalties, fees, documented costs, expenses and other amounts payable under the Facility Agreement.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SRBIJA AD BEOGRAD.
8. Other material terms of the transaction	Amendment Deed and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.
1. Number of the transaction approved by the Board of Directors	43
2.1. Price (amount in USD)	Credit line of USD 5,000,000 plus Bank fee of up to USD 225,000; Guarantor's fee of USD 21,938.13 plus VAT of USD 3,948.86.
2.2. Price (amount in RUB)	Credit line of RUB 333,600,000 plus Bank fee of up to RUB 15,012,000; Guarantor's fee of RUB 1,463,712.03 plus VAT of RUB 263,467.94.
3. Names of parties	PJSC "LUKOIL" (Guarantor) LUKOIL SRBIJA AD BEOGRAD (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnification No.0910579 of 03.09.2009 (hereinafter the "Contract").*
6. Subject of the transaction	<p>In accordance with the Contract, the Parties have agreed to deem the amount paid by the Guarantor to SOCIETE GENERALE BANKA SRBIJA a.d. Beograd (Lender) in fulfillment of obligations under the Guarantee between the Guarantor and the Lender issued as guarantee for meeting the Borrower's liabilities under the Credit Facility dated 02.09.2009 worth USD 10,000,000, plus interest, penalties, fines and other amounts due and payable (the Guarantee) as the amount payable by the Borrower to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract.</p> <p>In connection with the reduction of the Guarantor's liabilities to USD 5,000,000 and extension of the validity of the Deed of Guarantee dated 03.09.2009 performed under AMENDMENT DEED NO. 6 TO THE DEED OF GUARANTEE, the Borrower undertakes to pay, within 180 calendar days from the date the Supplemental Agreement is signed, Guarantor's fee of USD 21,938.13 plus VAT of USD 3,948.86. The Guarantor's fee shall be paid by the Borrower against the invoice issued by the Guarantor.</p>
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SRBIJA AD BEOGRAD.
8. Other material terms of the transaction	The Guarantor's banking details are being updated. The Supplemental Agreement enters into force from the date of signing by the Parties.

1. Number of the transaction approved by the Board of Directors	44
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	PJSC "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0910123 of 23.03.2009 (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special purpose loan on a renewable basis as a lump sum or by installments (in tranches), with a total amount of debt not exceeding 13,000,000,000 roubles at any given moment in time, on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement to the Agreement, - point 1.4 of the Agreement is set out in a new version stipulating the methods of debt repayment, i.e. by remitting the funds to the Lender's account directly by the Borrower or by automatically debiting the funds from the Borrower's account on request from the Lender; - point 4.2 of the Agreement is set out in a new version stipulating the repayment procedure for each tranche under the Agreement; - point 6.3 of the Agreement is set out in a new version stipulating that the Party whose payment details are changed should as soon as possible notify the other Party in writing, with the new payment details indicated in the said notice to be used for settlements.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing by the authorised representatives of the Parties.
1. Number of the transaction approved by the Board of Directors	45
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	PJSC "LUKOIL" (Borrower) OAO RITEK (Lender)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0810843 of 13 October 2008 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement and supplemental agreements thereto, the Lender provides the Borrower with a special-purpose loan of up to RUB 100,000,000,000*, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement to the Agreement, - point 1.2 of the Agreement is set out in a new version stipulating that, given point 1.3 of the Agreement, a tranche is granted on the Borrower's instructions by remitting the funds to the Borrower's settlement account and shall be deemed fully granted from the date the funds are credited to the Borrower's settlement account; - point 1.3 of the Agreement is set out in a new version stipulating the right of the Parties to enter into an agreement on debt renewal under Commission Contract as debt obligations under the Agreement. The repayment procedure for the debt thereby incurred, debt interest calculation and payment, and other rules regulating relations between the Parties shall be established by the Agreement.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing by the authorised representatives of the Parties.

1. Number of the transaction approved by the Board of Directors	46
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	PJSC "LUKOIL" (Company) OAO RITEK (Subsidiary)
4. Names of beneficiaries	-
5. Name of transaction	Agreement on Termination of Obligations (hereinafter the "Agreement").
6. Subject of the transaction	<p>In accordance with the Agreement, the Parties agree upon a possible procedure for termination of obligations arising from Commission Contracts No.1510108, No.1510109 and No. 1510277 (Commission Contracts), Loan Agreement No.0810843 of 13.10.2008 and Loan Agreement No.0910123 of 23.03.2009, including debt renewal and offsetting.</p> <p>The Company's obligations of cash transfers in favor of the Subsidiary specified in the Commission Contracts signed by the Parties (the Company's debt) may be terminated, in addition to other methods specified by relevant terms and provisions of the Commission Contracts, by renewal of the said obligations on the repayment of the Company's debt to the Subsidiary arising under the Commission Contracts into the Company's debt/borrowing obligation to the Subsidiary (Lender) under Loan Agreement No.0810843 of 13.10.2008, or by offsetting the Company's (Lender) counter claim to the Subsidiary regarding the Subsidiary's current borrowing obligations (current debt) under Loan Agreement No.0910123 of 23.03.2009.</p> <p>The Parties have agreed that both debt renewal and offsetting will be effected in accordance with terms of the Agreement based on a Reference Memo duly signed at PJSC "LUKOIL" (Reference Memo).</p>
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The date of renewal of the Company's debt repayment obligations in favor of the Subsidiary under Commission Contracts as debt obligations under Loan Agreement No.0810843 of 13.10.2008 (Debt renewal date) shall be the date the Reference Memo comes into effect.</p> <p>The date of termination of the Company's debt to the Subsidiary arising under the Commission Contracts by offsetting a counterclaim issued by the Company to the Subsidiary on borrowing obligations under Loan Agreement No.0910123 of 23.03.2009 shall be the date the Reference Memo comes into effect.</p> <p>The Agreement shall lose force after all of the Parties' obligations are performed under the above contracts and the Agreement.</p>
1. Number of the transaction approved by the Board of Directors	47
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	PJSC "LUKOIL" (Company) International Association of Trade-Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Uncompensated/Gratuitous Use Contract No. 0310992 of 27.07.2003 (hereinafter the 'Contract').*
6. Subject of the transaction	<p>Pursuant to the Contract and in execution of point 9.1.1 of the Agreement between the Employer and the Trade Union Association of OAO "LUKOIL" for 2015-2017, the Company provides the office equipment, furniture and other office devices (hereinafter the 'Property') on the Company's balance sheet for the gratuitous use of the Association in accordance with the List of Items (Appendix 1) making an integral part of the Contract, in condition suitable for appropriate use.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ul style="list-style-type: none"> - on 01 September 2015 the Company will transfer additional Property (furniture, office equipment) worth RUB 385,577.79 to the Association under a transfer and acceptance certificate in accordance with the List of Items (Appendix 1) to the Supplemental Agreement; - from 01 September 2015 the total value of the Property transferred to the Association under the Contract will be RUB 7,515,859.54; - the Company's location and the Parties' banking details in Section 6 "Addresses and Banking Details" of the Contract are being updated accordingly.
7. Grounds for status as an interested party	<p>Sergei Petrovich Kukura, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Ivan Alexeevich Maslyaev, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p>
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 06.07.2015, and with respect to the Parties' banking details – from 07.08.2015.

1. Number of the transaction approved by the Board of Directors	48
2.1. Price (amount in USD)	Credit line of USD 2,819,000, plus Bank fee of up to USD 14,095; Guarantor's fee of USD 12,435.08, plus VAT of USD 2,238.31
2.2. Price (amount in RUB)	Credit line of RUB 189,324,040, plus Bank fee of up to RUB 946,620.20; Guarantor's fee of RUB 835,139.97, plus VAT of RUB 150,324.89.
3. Names of parties	PJSC "LUKOIL" (Guarantor) LUKOIL SRBIJA AD BEOGRAD (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnification No.0810678 of 20.08.2008 (hereinafter the "Contract")*.
6. Subject of the transaction	<p>In accordance with the Contract, the Parties have agreed to deem the amount paid by the Guarantor to SOCIETE GENERALE BANKA SRBIJA a.d. Beograd (Bank) in fulfillment of obligations under the Guarantee between the Guarantor and the Bank of 20.08.2008, issued as guarantee for meeting the Borrower's liabilities under Contract of Overdraft No.00/08 dated 20.08.2008 worth 500,000,000 Serbian dinars, plus interest, penalties, fines and other amounts due and payable (the Guarantee) as the amount payable by the Borrower to the Guarantor plus interest for the use of funds on the terms, within the deadlines and in accordance with the procedure defined by the Contract.</p> <p>In connection with the reduction of the Guarantor's liabilities under the Contract to 300,000,000 Serbian dinars and the extension of the Guarantee based on Annex 8/ Amendment Deed No.8 to the Guarantee, the Debtor undertakes, within 180 calendar days from the date the Supplemental Agreement is signed, to pay the fee established in US dollars and calculated by the Guarantor proceeding from the amount of 1,322,760.75 Serbian dinars, plus VAT of 238,096.94 Serbian dinars, by re-calculating the Serbian dinars into US dollars at the official Serbian dinar to USD average exchange rate of the National Bank of Serbia as of the date the services on the extension of the Guarantee are provided and published on www.nbs.rs on the same date.</p>
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov , a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SRBIJA AD BEOGRAD.
8. Other material terms of the transaction	The Guarantor's fee shall be paid by the Borrower in US dollars against an invoice issued by the Guarantor. The Guarantor's banking details are being updated. The Supplemental Agreement enters into force from the date of signing by the Parties.
1. Number of the transaction approved by the Board of Directors	49
2.1. Price (amount in USD)	Credit line of USD 2,819,000, plus Bank fee of up to USD 14,095.
2.2. Price (amount in RUB)	Credit line of RUB 189,324,040, plus Bank fee of up to RUB 946,620.20.
3. Names of parties	PJSC "LUKOIL" (Guarantor) SOCIETE GENERALE BANKA SRBIJA a.d. Beograd (Lender)
4. Names of beneficiaries	LUKOIL SRBIJA AD BEOGRAD (Borrower)
5. Name of transaction	AMENDMENT DEED NO.8 TO THE DEED OF GUARANTEE No. 0810717 dated 20.08.2008 (Deed of Guarantee or Guarantee)*.
6. Subject of the transaction	<p>Under the Deed of Guarantee, the Guarantor unconditionally and irrevocably guarantees fulfilment by the Borrower of all of the obligations undertaken thereby under the Contract of Overdraft signed between the Lender and the Borrower on 20.08.2008 (Contract of Overdraft), for the amount not exceeding 500,000,000 Serbian dinars plus all accrued interest, penalties, fees, documented costs, expenses and other amounts payable by the Borrower under the Contract of Overdraft.</p> <p>In accordance with the Amendment Deed to the Deed of Guarantee:</p> <ul style="list-style-type: none"> - the Guarantor's liabilities under the Deed of Guarantee are confirmed in full and the Deed of Guarantee is confirmed to remain in full force and effect in connection with extension of the validity of the Contract of Overdraft to September 30, 2016; - The Guarantor's liability under the Deed of Guarantee shall be limited to a principal amount of 300,000,000 Serbian dinars plus all accrued interest, penalties, fees, documented costs, expenses and other amounts payable by the Borrower under the Contract of Overdraft.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov , a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SRBIJA AD BEOGRAD.
8. Other material terms of the transaction	Amendment Deed and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, English law.

1. Number of the transaction approved by the Board of Directors	50
2.1. Price (amount in USD)	USD 315,080.92 per month, plus VAT of USD 56,714.57
2.2. Price (amount in RUB)	RUB 20,675,610.11 per month, plus VAT of RUB 3,721,609.82
3. Names of parties	PJSC "LUKOIL" (Lessee) OAO RITEK (Sub-Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Sub-Lease Agreement No.1310855 of 30 December 2013 (hereinafter the "Agreement").*
6. Subject of the transaction	<p>In accordance with the Agreement, the Lessee provides to the Sub-Lessee for temporary use the non-residential premises with a total area of 6,639.3 m2, located in the building at the address: 3 Bolshaya Ordynka, Moscow. By premises are meant all premises in the building with the exception of rooms No.11 and 12 in Premise 1 in the basement, rooms No. 9, 19, 19a and 20 in Premise II on the ground floor, rooms N. 3 and 14 in Premise V on the first floor, room No.3 in Premise VI on the second floor, room No.3 in Premise VII on the third floor, room No.3 in Premise VIII on the fourth floor, room No.3 in Premise IX on the fifth floor, room No.1 in Premise XI on the floor N (hereinafter, the Property).</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> - from 01.11.2015 the Sub-Lessee undertakes to pay the Lessee lease payment for the use of the Premises proceeding from 37,369.50 roubles per square meter of total area per year, plus VAT of 6,726.51 roubles, - from 01.11.2015 the total lease payment under the Agreement will be 20,675,610.11 roubles per month, plus VAT of 3,721,609.82 roubles, with the total payment due of 24,397,219.93 roubles per month.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	All other terms remain unchanged. The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	51
2.1. Price (amount in USD)	USD 29,932.09 per month, plus VAT of USD 5,387.78
2.2. Price (amount in RUB)	RUB 1,889,313.62 per month, plus VAT of RUB 340,076.46
3. Names of parties	PJSC "LUKOIL" (Lessee) OAO RITEK (Sub-Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Sub-lease Agreement No. 1410186 of 17.04.2014 (hereinafter the "Agreement").*
6. Subject of the transaction	<p>In accordance with the Agreement, the Lessee provides to the Sub-lessee the temporary use of the non-residential premises in the building at the address: 1 ulitsa Bolshaya Ordynka, Moscow, including office premises with a total area of 321.3 m2, and public catering premises with a total area of 618.9 m2 (hereinafter the "Premises"), specifically:</p> <ol style="list-style-type: none"> 1. Rooms No. 12, 13, 14, 14a, 15, 16, 17, 18, and 19, located in Premises IX on the second floor (Premises 1); 2. Rooms No. 22, 23, and 26-42, located in Premises III on the semi-basement (Ts) floor (Premises 2). <p>In accordance with the Supplemental Agreement the Agreement:</p> <ul style="list-style-type: none"> - from 01.11.2015 the Sub-Lessee undertakes to pay the Lessee lease payment of RUB 57,878.81 per square meter of floor space a year, plus VAT of RUB 10,418.19; in aggregate, RUB 1,549,705.14 per month, plus VAT of RUB 278,946.93 for the use of Premises 1; lease payment of RUB 6,584.75 per square meter of floor space a year, plus VAT of RUB 1,185.26; in aggregate, RUB 339,608.48 per month, plus VAT of RUB 61,129.53 for the use of Premises 2; - from 01.11.2015 the total lease payment for the use of all Premises under the Agreement will be RUB 1,889,313.62 per month, plus VAT of RUB 340,076.46. The total amount payable will be RUB 2,229,390.08 per month, including VAT.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>Other terms of the Agreement remain unchanged.</p> <p>The Supplemental Agreement enters into force from the date of its signing, and applies to the legal relations of the Parties arising from 1 November 2015.</p>

1. Number of the transaction approved by the Board of Directors	52
2.1. Price (amount in USD)	USD 31,228,468.10 (Credit line of USD 30,000,000, with the estimated interest due for the credit line's entire maturity of USD 1,228,468.10); the estimated fee will be USD 180,000, plus VAT of USD 32,400.
2.2. Price (amount in RUB)	RUB 1,988,628,848.61 (Credit line of RUB 1,910,400,000, with the estimated interest due for the credit line's entire maturity of RUB 78,228,848.61); the estimated fee will be RUB 11,462,400, plus VAT of RUB 2,063,232.
3. Names of parties	PJSC "LUKOIL" (Guarantor) LUKOIL NORTH AMERICA LLC (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract of Indemnity No. 1111131 of 29.12.2011 (hereinafter the "Contract").*
6. Subject of the transaction	<p>Under the Contract the Parties agreed to consider an amount paid by the Guarantor to the Bank (Citibank N.A) in performance of obligations under the Guarantee between the Guarantor and Citibank N.A. (Bank) issued as security for performance of obligations by the Debtor under the Letter of Credit Agreement of 29.12.2011 (Credit Agreement) for the maximum amount of USD 40,000,000, plus interest, fines, penalties, forfeits and other guaranteed payments (Guarantee) to be the amount payable by the Debtor to the Guarantor including the interest for the funds' use on the terms, within the deadlines and in accordance with the procedure stipulated in the Contract.</p> <p>In connection with reducing the Guarantor's obligations to USD 30,000,000 and extending the maturity of the Guarantee No.1111135 of 29.12.2011 to 29.12.2017 based on the Guarantor's letter, the following amendments and addenda are being made to the Contract:</p> <ul style="list-style-type: none"> - point 1.1 of Article 1 of the Contract "Subject of the Contract" is being reworded to state that the Parties enter into a Contract in connection with a Guarantee between the Guarantor and the Bank issued as security for performance of obligations by the Debtor under the Credit Agreement for the maximum amount of USD 30,000,000, plus interest, fines, penalties, forfeits and other guaranteed payments; - point 3.2 of Article 3 "Payment for the Services of the Guarantor" of the Contract is revised to stipulate that the cost of the service of the Guarantee for the Debtor's obligation (Service) amounts to 0.6% per annum of the amount of the Debtor's obligations to the Bank covered by the Bank under the Credit Agreement and calculated for each day of the reporting period. In calculating the amount payable for the Service provided the actual number of days in a year shall be used (365/366), plus VAT in the amount established by the current Russian law.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously Chairman of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	Other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the date of its signing.
1. Number of the transaction approved by the Board of Directors	53
2.1. Price (amount in USD)	Credit line of USD 30,000,000, with the approximate Bank fee due for the credit line's entire maturity of USD 1,228,468.10 totaling USD 31,228,468.10.
2.2. Price (amount in RUB)	Credit line of RUB 1,910,400,000, with the approximate Bank fee due for the credit line's entire maturity of RUB 78,228,848.61 totaling RUB 1,988,628,848.61
3. Names of parties	PJSC "LUKOIL" (Guarantor) Citibank, N.A. (Administrative Agent)
4. Names of beneficiaries	LUKOIL NORTH AMERICA LLC (Borrower).
5. Name of transaction	Letter of Reaffirmation of Contract/Deed of Guarantee No.1111135 of 29.12.2011 (hereinafter the "Letter of Reaffirmation").*
6. Subject of the transaction	<p>In accordance with Contract/Deed of Guarantee No.1111135 of 29.12.2011 (Guarantee), the Guarantor guarantees performance of the Borrower's obligations to the Administrative Agent under the Letter of Credit Agreement of 29.12.2011 (Credit Agreement) for the principal amount of debt of USD 40,000,000, plus interest, fines, commission fees, costs, expenses and other guaranteed payments.</p> <p>In accordance with the Letter of Reaffirmation, the Guarantor confirms its obligations under the Guarantee in connection with Extension and Amendment No. 4 to the Credit Agreement, whereby the maturity of the Credit Agreement is being extended to 29.12.2017, the Guarantor's liability is reduced to USD 30,000,000, the Guarantee is retained in full and the change in the name of the Guarantor is supported by source documents.</p>
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL NORTH AMERICA LLC.
8. Other material terms of the transaction	The Letter shall be governed by and construed in accordance with the laws of the State of New York.

1. Number of the transaction approved by the Board of Directors	54
2.1. Price (amount in USD)	The approximate amount of the annual agency fee will equal USD 33.19, plus VAT of USD 5.98. The approximate amount of the Agent's reimbursable expenses for the year will equal USD 331,972.36, plus VAT of USD 59,755.03.
2.2. Price (amount in RUB)	The approximate amount of the annual agency fee will equal RUB 2,114, plus VAT of RUB 380.52. The approximate amount of the Agent's reimbursable expenses for the year will equal RUB 21,140,000, plus VAT of RUB 3,805,200.
3. Names of parties	PJSC "LUKOIL" (Agent) OAO RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter, the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with JSC KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal's financial statements for 2015 in accordance with Russian legal requirements regarding preparation of financial statements.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Agent undertakes to provide the Principal with a report on the exercise of the agency authority within 5 business days from the Agent's latest payment to JSC KPMG for the audit of the Principal's financial statements. The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the exercise of the agency authority, including VAT (18%), and pay the Agent's fee no later than 10 business days from the date the Agent's report is approved. The Agent's fee shall be set at 0.01% of the amount of the Agent's expenses incurred under the contract with JSC KPMG, plus VAT of 18%. The Agreement enters into force from the date it is signed by authorized representatives of the Parties and shall remain in effect until the Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	55
2.1. Price (amount in USD)	USD 121,108.87
2.2. Price (amount in RUB)	RUB 7,820,000
3. Names of parties	PJSC "LUKOIL" (Company) International Association of Trade Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Donation agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Company undertakes to transfer funds to the Association as a donation for the purposes of supporting the Council of [LUKOIL] Veterans in accordance with the Council's Planned Budget for 2016 making an integral part of the Agreement.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Ivan Alexeevich Maslyayev, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of PJSC "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".
8. Other material terms of the transaction	The Company has the right to exercise control over the due use of the funds transferred. The Association undertakes to provide the Company with a report on the use of transferred funds by 31 March 2017. If funds are used for purposes other than the designated purpose, the Association undertakes to return the amount received within 10 days from the date it receives the Company's demand for repayment of previously transferred funds. The Agreement enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	56
2.1. Price (amount in USD)	The approximate cost of services is USD 1,800,000.
2.2. Price (amount in RUB)	The approximate cost of services is RUB 116,226,000.
3. Names of parties	OAO "LUKOIL" (Depositor) IOOO LUKOIL Belorussia (Bailee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to LPG Storage and Related Services Agreement No.1410830 of 18.11.2014 (hereinafter the "Agreement").*
6. Subject of the transaction	Under the Agreement, the Bailee undertakes on the terms and conditions stipulated by the Agreement, for a fee, to provide storage services for the Liquefied Petroleum Gas (LPG-SPBT) owned by the Depositor and transferred by the latter to the Bailee, and storage services related to the Depositor's LPG; the Depositor undertakes to accept and pay for the services provided. In accordance with the Supplemental Agreement to the Agreement, point 7.4 of section 7 'OTHER TERMS' is revised to extend the term of the Agreement through 31.12.2017, and shall remain in effect until the Parties perform their obligations in full.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of IOOO LUKOIL Belorussia.
8. Other material terms of the transaction	-

1. Number of the transaction approved by the Board of Directors	57
2.1. Price (amount in USD)	The maximum amount of USD 577,500,000.
2.2. Price (amount in RUB)	The maximum amount of RUB 37,491,300,000.
3. Names of parties	PJSC "LUKOIL" (Seller) IOOO LUKOIL Belorussia (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Crude Delivery Contract (hereinafter the "Contract").
6. Subject of the transaction	The Seller undertakes to deliver and the Buyer undertakes to accept and pay for up to 2,500,000 metric tonnes of crude oil ("Goods") on the terms of delivery DDU Novopolotsk (OAO Naphtan) and/or Mozyr (OAO Mozyr Refinery), Belarus. The period of delivery – during January 2016 to June 2016 in accordance with monthly delivery schedules approved by both Parties. The approximate value of the Contract is around USD 550,000,000 +/- 5 (five) percent.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Supervisory Board of IOOO LUKOIL Belorussia.
8. Other material terms of the transaction	The price is calculated using the formula stipulated in section 6 of the Contract; payments for the Goods are effected via bank transfers in US dollars and/or Russian roubles and/or EURO in strict compliance with the Seller's invoice not later than 45 calendar days from the date the Goods are delivered. All risks of accidental injury or loss of the goods will be transferred to the Buyer upon signing the acceptance acts at the point of destination. The title to the Goods under the Contract will be transferred to the Buyer upon signing the last Acceptance Act for a Consignment of Goods. Consignment is the quantity of Goods delivered on one routing order of OAO AK Transneft during a calendar month. The Contract enters into force from the time of its signing and will remain in force until 30 June 2016, and as regards mutual settlements – until they have been completed in full.
1. Number of the transaction approved by the Board of Directors	58
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	PJSC "LUKOIL" (Licensor) LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Licensee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to License Agreement No. 1111033 of 15 December 2011 (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Licensor has an exclusive right to the trademarks designed to visualize (identify) services provided by OAO "LUKOIL" under certificates No. 2011 20829, 2011 20838, and 2011 20848 issued by the Turkish Patent Institute for the Licensor to mark goods and services for trademark Classes 4, 20, 35, 36, 37, 39, 40, 42 of the International Classification of Goods and Services (ICGS), and No. 980745 with priority right of 08.08.2008 and No.1001044 with priority right of 20.08.2008 issued by the International Bureau of World Intellectual Property Organization (WIPO), to be used by the Licensor for identifying the services of ICGS Classes 35, 37 and 43. In accordance with the Supplemental Agreement to the Agreement: 1. In connection with the change in the Licensor's name the words Open Joint Stock Company "Oil company "LUKOIL" and OAO "LUKOIL" will be replaced throughout the text with the words Public Joint Stock Company "Oil company "LUKOIL" and PJSC "LUKOIL", respectively, with the exception of the following publications: The Company Style of OAO "LUKOIL", RECOMMENDATIONS ON THE USE OF THE COMPANY STYLE OF OAO "LUKOIL", OAO "LUKOIL" CORPORATE RULES AND REQUIREMENTS FOR THE LUKOIL GROUP PETROLEUM PPRODUCT FACILITIES. 2. The effective term of the Agreement will be extended through 8 August 2018. 3. Section 11 of the Agreement "Legal addresses and Banking details" is being updated. 4. The Parties agree that provisions of Article 317.1 of the Civil Code of the Russian Federation do not apply to the Parties to the Agreement, while the interest on debt for the period of use of the funds shall be neither accrued nor paid. This condition becomes effective from the moment the Supplemental Agreement is signed and extends to the legal relations between the parties arising from 01.06.2015.
7. Grounds for status as an interested party	Vadim Nikolaevich Vorobyov, a member of the Management Committee of PJSC "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞİRKETİ.
8. Other material terms of the transaction	The Licensee shall ensure registration of the Supplemental Agreement with the Turkish Patent Institute. To do this, the Licensee shall enter into a contract with the patent attorney of the Turkish Republic specified by the Licensor for the provision of services on the registration of the Supplemental Agreement with the said Institute, including advisory services associated with the preparation of the Supplemental Agreement for registration in accordance with Turkish laws and provide the Licensor with the original of the Supplemental Agreement (stamped "Copy of PJSC "LUKOIL") with the seal of registration or with the official registration certificate (a memo thereon or an excerpt thereof) within 10 (ten) business days from their receipt from the said authority. All other terms of the Agreement remain unchanged.

INFORMATION ON TRANSACTIONS
WITH PJSC “LUKOIL” ORDINARY
SHARES / ADRS PERFORMED
BY MEMBERS OF THE BOARD
OF DIRECTORS AND MANAGEMENT
COMMITTEE OF PJSC “LUKOIL”
AND THEIR RELATED PARTIES IN 2015

BoD / Management Committee member	Type of transaction	Date of transaction	Number of shares/ADRs
Vagit Alekperov	purchase*	12.02.2015	525,000
	purchase*	13.02.2015	15,000
	purchase*	13.02.2015	405,000
	purchase*	10.03.2015	230,000
	purchase*	10.03.2015	200,000
	purchase*	11.03.2015	673,038
	purchase*	12.03.2015	255,133
	purchase*	17.09.2015	50,000
	purchase*	30.09.2015	10,000
	purchase*	07.10.2015	10,000
	purchase*	14.10.2015	10,000
	purchase*	16.10.2015	6,366
	purchase*	16.10.2015	13,634
	purchase*	15.12.2015	50,000
Vadim Vorobyov	purchase	22.09.2015	6,123
Sergei Kukura	purchase	16.12.2015	6,895
Ravil Maganov	purchase	06.02.2015	4,764
	purchase	17.09.2015	4,000
	purchase	21.09.2015	4,000
	purchase	28.09.2015	428
Sergei Malyukov	purchase	24.09.2015	5,456
Ivan Maslyayev	purchase	17.12.2015	5,540
Alexander Matytsyn	purchase	16.12.2015	5,468
Sergei Mikhailov	purchase	06.02.2015	10,390
Anatoly Moskalenko	purchase	02.10.2015	7,310
	purchase	22.12.2015	2,905
Vladimir Nekrasov	purchase	28.01.2015	4,029
	purchase	02.09.2015	5,690
Denis Rogachev	purchase	22.12.2015	2,900
Valery Subbotin	purchase	15.12.2015	5,468
	sale*	16.12.2015	1,600,000
	purchase	16.12.2015	1,600,000
Gennady Fedotov	purchase	24.09.2015	6,184
Leonid Fedun	purchase	20.02.2015	11,000
Lyubov Khoba	purchase	16.12.2015	5,487

* Transaction performed by a related party.

Reference information

Open Joint Stock Company "Oil company "LUKOIL" (abbreviated name – OAO LUKOIL) was established in accordance with Presidential Decree No. 1403 On Specific Features of Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial and Research and Production Associations in the Oil and Oil Refining Industries and Oil Product Supply, issued on 17 November 1992, and Directive No. 299 of the Council of Ministers – Government of the Russian Federation On the Establishment of Joint Stock Company "Oil company "LUKOIL", issued on 05 April 1993.

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Fax: +7 495 627 4191

E-mail: shareholder@lukoil.com

INVESTOR RELATIONS

Tel.: +7 495 627-16-96

Fax: +7 495 981 7288

E-mail: ir@lukoil.com

In accordance with the Resolution of the Annual General Shareholders Meeting dated 25 June 2015, the Company made amendments to the Company's Charter, providing for, inter alia, the change of the Company official name to Public Joint Stock Company "Oil company "LUKOIL" (or PJSC "LUKOIL" for an abbreviated name).

PRESS SERVICE

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PJSC "LUKOIL"

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Tel.: 7 495 780 1943

Fax: 7 495 627 4191

E-mail: fkc@lukoil.com

REGISTRAR COMPANY

LLC "Registrar "Garant"

6, Krasnopresnenskaya imbankment, Moscow, 123100, Russia

Tel.: +7 495 221 3112, +7 800 500 2947

Fax: +7 495 221 3112

E-mail: mail@reggarant.ru

ADDITIONAL INFORMATION

The most complete and up-to-date information about the Company can be found on LUKOIL's website at www.lukoil.ru (Russian) or www.lukoil.com (English).

Company's presentations, financial and operational results, dividend history, share prices, an investment calculator, shareholder's personal account and Company's reports are available under the Investor and Shareholder Center section of the website.

OTHER COMPANY REPORTS

- Analyst Databook (digital information on the Company's business lines and financial results; Excel version also available)
- Fact Book (detailed information on the Company's operational assets and results)
- Sustainability Report (information on the Company's environmental efforts and social responsibility in the regions of its operations)
- Corporate Governance Report (published in accordance with the UK FCA's requirements);
- Global Trends in Oil & Gas Markets to 2025 (the Company's Strategic vision of the oil & gas industry in Russia and across the world)

CONVERSION FACTORS

Percentage changes in operating results for 2015 presented in million tonnes are based on respective figures in thousand tonnes.

Oil resources and production include oil, gas condensate and natural gas liquids.

The average RUB/USD exchange rate for 2015 (61.0 rubles/US dollar) is used for converting figures in rubles into US dollars, unless otherwise indicated.

1 boe = 6,000 cubic feet of gas

The segment split used in the Report is in line with the information in the Group's IFRS consolidated financial statements.

Largest international privately owned oil & gas companies include Shell, Total, ConocoPhillips, Chevron, BP, and ExxonMobil.

Russian oil & gas companies – Rosneft, Gazprom neft, NOVATEK.

TERMS, ACRONYMS AND ABBREVIATIONS

References to "PJSC "LUKOIL"", "LUKOIL Group", "the Group", "LUKOIL", "the Company", "we" and "our" are all equivalents for the purposes of this Report and refer to LUKOIL Group of companies, PJSC "LUKOIL" and/or its subsidiaries, depending upon the context in which the terms are used.

ADR – American Depositary Receipt
 AEB – Association of European Business
 AELI – All-Union Extra-Mural Law Institute
 APG – Associated petroleum gas
 BoD – Board of Directors
 Capex – Capital expenditures
 CCGT – Combined-cycle gas turbine
 CDP – Carbon Disclosure Project
 CEO – Chief Executive Officer
 CGET – Center of Geologic Exploration Technologies
 CHPP – Combined heat and power plant
 CIAS – Control and Internal Audit Service
 CSA – Capacity supply agreement
 CSS – Cyclic steam stimulation
 D&O – Directors and Officers
 DR – Depositary Receipt
 E&P – Exploration and Production
 EBITDA – Earnings before Interest, Taxation, Depreciation & Amortization
 EIG – Energy Intelligence Group
 EOR – Enhanced oil recovery
 ERM – Enterprise risk management
 EU – European Union
 FEED – Front-end engineering and design
 FOIROT – Fixed offshore ice-resistant off-loading terminal
 FX – Foreign exchange
 GAAP – Generally accepted accounting principles
 GPP – gas processing plant
 GPU – Gas processing plant
 H&S – Health and safety
 HR – Human resources
 HSE – Health, safety and environment
 IDA – Independent Directors Association
 IEA – International Energy Agency
 IFRS – International Financial Reporting Standards
 ILO – International Labor Organization
 IMS – Integrated management system
 IR – Investor relations
 KPI – Key performance indicator

LPG – Liquefied petroleum gas	SUCIA – Specialized units for control and internal audit
LSE – London Stock Exchange	TPU – Territory Production Unit
MET – Mineral extraction tax	TSR – Total shareholders return
MICEX – Moscow Interbank Currency Exchange	UCLA – U.K. Listing Authority
MSAL – Moscow State Law University	UGSS – Unified Gas Supply System
MSHF – Multi-stage hydrofracturing	UK – United Kingdom
MZHF – Multi-zone hydro-fracturing	UN – United Nations
NGO – Non-governmental organization	UNDP – United Nations Development Programme
OGPB – Oil and Gas Production Board	USA – United States of America
OIFF – Offshore ice-resistant fixed facility	USD – US dollars
OIFP – Offshore ice-resistant fixed platform	USSR – Union of Soviet Socialist Republics
OPEC – Organization of Petroleum Exporting Countries	VAT – Value added tax
Opex – Operating expenses	VDA – Association of the Automotive Industry
PhD – Doctor of Philosophy	VIC – Vertically integrated company
PMSM – Permanent magnet synchronous motor	WWF – World Wide Fund for Nature
R&D – Research and development	
RAS – Russian Academy of Sciences	
RAS – Russian Accounting Standards	
RF – Russian Federation	
RIAC – Russian International Affairs Council	
RITEK – Russian Innovation Fuel and Energy Company	
ROACE – Return On Average Capital Employed	
RTS – Russia Trading System	
RUB – Rubles	
SAGD – Steam-Assisted Gravity Drainage	
SEC – Securities and Exchange Commission	

LUKOIL GROUP ENTITIES AND THEIR NAMES

Stavrolen	LLC Stavrolen
Burgas refinery	LUKOIL Neftochim Bourgas AD
Nizhny Novgorod refinery	LLC LUKOIL-Nizhegorodnefteorgsintez
Perm refinery	LLC LUKOIL-Permnefteorgsintez
Ploiești refinery	PETROTEL-LUKOIL S.A.
Volgograd refinery	LLC LUKOIL-Volgogradneftepererabotka
Ukhta refinery	LLC LUKOIL-UNP
Saratovorgsintez	LLC Saratovorgsintez
Terminal in Vysotsk	JSC RPK-Vysotsk LUKOIL-II
Lokosovsky GPP	Lokosovsky GPP
Varandei terminal	LLC Varandei terminal
ISAB refinery	ISAB S.r.l.
Zeeland refinery	Zeeland Refinery N.V.
Usinsky GPP	LLC LUKOIL-Komi
Korobkovsky GPP	LLC LUKOIL-KGPZ
Karpatneftekhim	LLC KARPATNEFTEHIM (Ukraine)
LUKOIL-Kaliningradmorneft, Kaliningradmorneft	LLC LUKOIL-KMN
L-Energy and Gas Bulgaria, Energy and Gas Bulgaria	LUKOIL Energy & Gas Bulgaria EOOD
L-Energy and Gas Romania, Energy and Gas Romania	S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L.
L-Astrakhanenergo, LUKOIL-Astrakhanenergo	LLC LUKOIL-Astrakhanenergo
L-Volgogradenergo, LUKOIL-Volgogradenergo	LLC LUKOIL-Volgogradenergo
L-Rostovenergo, LUKOIL-Rostovenergo	LLC LUKOIL-Rostovenergo
L-Kubanenergo, LUKOIL-Kubanenergo	LLC LUKOIL-Kubanenergo
L-Stavropolenergo, LUKOIL-Stavropolenergo	LLC LUKOIL-Stavropolenergo
Teboil	Oy Teboil Ab
L-Ecoenergo	LLC LUKOIL-Ecoenergo



President of PJSC "LUKOIL"
Vagit Alekperov

The Annual report of PJSC "LUKOIL" is preliminarily approved by the Board of Directors of PJSC "LUKOIL" (Minutes № 8 dated 13 May 2016).

The Audit Commission of PJSC "LUKOIL" has confirmed the reliability of data contained in this Annual Report.