



Materials that are made available for those
entitled to participate in the Annual General
Shareholders Meeting of PJSC “LUKOIL”
to be held on June 21, 2018

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NOTICE
of the Annual General Shareholders Meeting
of Public Joint Stock Company “Oil company “LUKOIL”

Dear Shareholder,

Public Joint Stock Company “Oil company “LUKOIL”, location: Moscow; address: Sretensky bulvar 11, Moscow, 101000, Russian Federation, hereby informs you that, based on the decision of the Board of Directors of PJSC "LUKOIL" of 24 April 2018, the Annual General Shareholders Meeting of PJSC "LUKOIL" is to be held in the form of a meeting (joint attendance of shareholders to discuss agenda items and take decisions on issues put to a vote) with preliminary distribution (dispatch) of ballots before the conduct of the Meeting.

Date and time of the Meeting:

21 June 2018, at 11:00 a.m.

Place/venue of the Meeting:

PJSC “LUKOIL”, Sretensky bulvar 11, Moscow, Vega Conference Hall (entrance from Kostyansky pereulok)

Postal address the completed and signed ballots may be sent to:

OOO «Registrator «Garant», Krasnopresnenskaya Naberezhnaya 6, Moscow, 123100, Russian Federation

The date of determining (formalizing) the persons entitled to take part in the Annual General Shareholders Meeting:

28 May 2018

Registration of persons participating in the meeting begins at:

09:30 a.m.

Categories (types) of shares whose owners have the right to vote on all agenda items of the Annual General Shareholders Meeting:

Registered Ordinary Shares

Identification details of the shares whose holders are entitled to take part in the Annual General Shareholders Meeting:

State Registration Number of the securities issue: 1-01-00077-A dated 25 June 2003

The URL of the website on the information and telecommunications network “Internet” where electronic voting ballots may be completed, and the QR-code for prompt connection to the said website:

<https://evoting.reggarant.ru/Voting/Lk>



The deadline for receipt of ballots by OOO «Registrator «Garant» is 18 June 2018, for determining a quorum of the Meeting and tallying votes.

Please kindly note that the persons entitled to participate in the Annual General Shareholders Meeting of PJSC “LUKOIL” (the Company) may take part in the Company’s Annual General Shareholders Meeting by completing their voting ballots electronically on the website on the information and telecommunications network “Internet” <https://evoting.reggarant.ru/Voting/Lk> (Instructions for users of the electronic voting solution are included in the list of information (materials) to be provided to persons entitled to participate in the Meeting). Access for completing electronic voting ballots shall be granted from 29 May 2018 to the shareholders who register their title to shares in the Company’s shareholder register, while shareholders who are clients of nominee holders shall be granted access after the said nominee holders provide OOO Registrator Garant, the company keeping the Company’s Shareholder Register, with information on persons entitled to participate in the Annual General Shareholders Meeting of PJSC “LUKOIL”.

When using the e-voting solution, shareholders who registered on the website on the information and telecommunications network “Internet” <https://evoting.reggarant.ru/Voting/Lk> and shareholders who completed the electronic ballots on the said website by the 18 June 2018 will be deemed to have participated in the Annual General Shareholders Meeting of the Company.

AGENDA OF THE MEETING:

1. Approval of the 2017 Annual Report of PJSC “LUKOIL”, the annual accounting (financial) statements, and also the distribution of profits and adoption of a decision on payment (declaration) of dividends based on the 2017 annual results.
2. Election of the members of the Board of Directors of PJSC “LUKOIL”.
3. Election of the members of the Audit Commission of PJSC “LUKOIL”.
4. On the remuneration and reimbursement of expenses to members of the Board of Directors of PJSC “LUKOIL”.
5. On the remuneration of members of the Audit Commission of PJSC “LUKOIL”.
6. Approval of the Auditor of PJSC “LUKOIL”.
7. Approval of Amendments to the Charter of Public Joint Stock Company “Oil company “LUKOIL”.
8. Decision on consent to perform an interested-party transaction.

In order to take part in the General Meeting, you or your representative must bring your/his/her passport or other identification document; your representative must additionally have a power of attorney drawn up in accordance with the requirements of article 57 of the Federal Law *On Joint Stock Companies*.

Information (materials) to be provided to persons entitled to participate in the Annual General Shareholders Meeting of PJSC "LUKOIL" in preparation for the Annual General Shareholders Meeting of PJSC "LUKOIL" will be available on the Company's official websites www.lukoil.ru (in Russian), www.lukoil.com (in English) starting from the date of publication on the said websites (not later than 18 May 2018); and from 1 June 2018, from 10:00 a.m. to 05:00 p.m. on business days, in the premises of the executive body of PJSC "LUKOIL", at the address: Sretensky bulvar 11, Moscow, 101000 Russian Federation, tel. 8 (800) 200 9402 or (495) 981 7320, and also at the following addresses:

OOO «Registrar «Garant»

Krasnopresnenskaya Naberezhnaya 6, Moscow, 123100
Malaya Konyushennaya, 16/26, lit. A, Saint Petersburg, 191186

telephone: (495) 221 3112, (800) 500 2947
telephone: (812) 648-19-91

JSC Independent Registrar Company

Troitsky Prospect 63, 3rd floor, office No. 41, Arkhangelsk, 163000
ulitsa Pobedy 41, 4th floor, Kirovsky district, Astrakhan, 414040
ulitsa Kooperativnaya 5, Veliky Novgorod, 173003
ulitsa Mira 19, office 309., Volgograd, 400131
ulitsa Gendelya 5, 3rd floor, office 30, Kaliningrad, 236022
ulitsa Gorkogo 5, 5th floor, office 503, Kirov, 610017
pr. Mira 94, office 314, "Voskresensky" Office Centre, Krasnoyarsk, 660017
Prospekt Lenina 77, of. 201, Murmansk, 183038
ulitsa M. Gorky 113, (Business Center "Stolitsa Nizhny" 9 floor), office 916A, Nizhny Novgorod, 603000
Komsomolskiy prospect 34, office 131, Perm, 614000
ulitsa Goroda Volos 42/105, Rostov-on-Don, 344010
ulitsa Novo-Sadovaya 44, 2nd floor, room No. 213, Samara, 443100
ulitsa Chernyshevskogo 60/62 "A", Saratov, 410004
pr. Bumazhnikov 2, 1st floor, Syktyvkar, Komi Republic, 167026
ulitsa Mendeleevskaya 1, office 501, Tula, 300041
ulitsa Karla Marksa 54, office 506, Chelyabinsk, 454090
ulitsa Trefoleva 17/14, Yaroslavl, 150000

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telephone: (8442) 24-72-74, 24-72-79
telephone: (4012) 60-54-34, 60-54-64
telephone: (8332) 40-56-31
telephone: (391) 216-51-01
telephone: (8152) 45-11-26, 45-11-27
telephone: (831) 217-81-89, 217-81-90
telephone: (342) 214-41-70
telephone: (863) 244-10-26
telephone: (846) 379-72-18, 379-72-19, 379-72-20
telephone: (8452) 29-32-36, 57-28-94
telephone: (8212) 29-31-80, 29-31-81
telephone: (4872) 70-00-64, 30-71-23
telephone: (351) 266-47-70
telephone: (4852) 23-09-39, 73-37-36

Public Joint Stock Company "Bank Otkritie Financial Corporation"

Office "Barnaulsky", pr. Sotsialistichesky 117a, Barnaul, 656015
Office "Birobidzhansky", ulitsa Lenina 16, Birobidzhan, 679016
Office "Vladivostoksky", ulitsa Svetlanskaya 51, Vladivostok, 690091
Office "Izhevsky", ulitsa M. Gorky 64, Izhevsk, Udmurt Republic, 426057
Office "Irkutskiy", ulitsa Chkalova 36, Irkutsk, 664025
Office "Yoshkar-Olinsky", ulitsa Proletarskaya 14, Yoshkar-Ola, Mary El Republic, 424000
Office "Kazansky", ulitsa Moskovskaya 2A, Kazan, Republic of Tatarstan (Tatarstan), 420111
Kogalymsky PKB Branch of PJSC Bank "FC Otkritie", ulitsa Pribaltiyskaya, 11A, Kogalym, 628486
Office "Komsomolsky", prospect Lenina 2/2, Komsomolsk-on-Amur, 681027
Office "Krasnodarsky", ulitsa Im. Turgeneva 73, Krasnodar, 350049
Office "Krasnokamensky", ulitsa Administrativnaya 3, Krasnokamensk, 674674
Office No 5 in Langepas, ulitsa Lenina 32, Langepas, Tyumen oblast, Khanty-Mansiysky Autonomous Okrug – Yugra 628672
Office "Lipetsky", ulitsa Nedelina 15a, Lipetsk, 398059
Office «Branch Sretenka» Sretensky Bulvar 11, Moscow, 101000
Office No 2 in Naryan-Mar, ulitsa Lenina 35 B, Naryan-Mar, Nenetsky AO, 166000
Office in Noyabrsk, ulitsa Kosmonavtov 6, Noyabrsk, Yamalo-Nenetsky Autonomous Okrug, 629802
Office «Omsky», Irtyshskaya emb.31, Omsk, 644048
Office «Permsky», ulitsa Popova 21, Perm, 614068
Office "Stavropol na Mire", ulitsa Mira 437, Stavropol, Stavropolsky Krai, 355029
Office "Starooskolsky", district Priborostroitel 53, Stariy Oskol, Belgorod Oblast, 309504
Office "Tverskoy", pereulok Svobodny 9, Tver, 170100
Office No1 in Urai, ulitsa Lenina 118, Urai, Tyumen oblast, Khanty-Mansiysky Autonomous Okrug – Yugra, 628285

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telephone: (861) 214-29-72
telephone: 8-800-700-78-77
telephone: (34669) 2-02-74
telephone: 8-800-700-78-77
telephone: (499) 973-76-55
telephone: (81853) 4-59-49
telephone: 8-800-700-78-77
telephone: 8-800-700-78-77
telephone: 8-800-700-78-77
telephone: 8-800-700-78-77
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telephone: (34676) 2-03-17

Office "Ufimsky", ulitsa Tsyurupy 16, Kirovsky district, Ufa, Republic of Bashkortostan, 450057
Office «Khabarovskiy», Amursky Bulvar 18, Khabarovsk, 680000
Office «Yuzhno-Sakhalinsky», ulitsa Pogranichnaya 28A, Yuzhno-Sakhalinsk, 693007

telephone: (347) 226-72-70
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Joint Stock Company VTB Registrar

Ulitsa Zhukovskogo 31A, Maikop, Republic of Adygeya, 385000
6 district 2, office 1, Elista, Republic of Kalmykiya, 358014

telephone: (8772) 52-51-09
telephone: (84722) 6-56-92

Access to information (materials) for the General Shareholders Meeting shall be granted for voting electronically on the website on the information and telecommunications network "Internet" <https://evoting.reggarant.ru/Voting/Lk>.

Information (materials) for the General Shareholders Meeting shall also be available to persons taking part in the Annual General Shareholders Meeting of PJSC "LUKOIL" during the Meeting

For the purpose of ensuring the timely payment of dividends and the provision of information, we kindly ask you to promptly inform OOO «Registrator «Garant», the company keeping the Company's Shareholder Register (the Registrar), of any changes in your data (name, change in residence/domicile, change in banking details, passport and other data) by completing the Registered Natural/Legal Person's Form and submitting it to the Registrar. Pursuant to Clause 16, Article 8.2 of the Federal Law *On Securities Market* neither the Company nor OOO «Registrator «Garant» will be liable for the loss incurred, should you fail to provide information on such changes.

The decisions taken by the Annual General Shareholders Meeting of PJSC "LUKOIL" and voting results will be announced at the Meeting and communicated to the persons entitled to take part in the Meeting in the form of a Report on Voting Results to be made available on the Company's official websites www.lukoil.ru, www.lukoil.com not later than 27 June 2018.

Dear Shareholder,

By participating in the Annual General Shareholders Meeting of PJSC "LUKOIL" you exercise your right to participate in managing the Company by taking decisions on the most significant matters of its business operations, which matters fall within the exclusive competence of the General Shareholders Meetings.

More details on the Annual General Shareholders Meeting of PJSC "LUKOIL" will be available if phoned at: 8 (800) 200 9402 or (495) 981 7320, shareholder@lukoil.com.

Board of Directors of PJSC "LUKOIL"

Agenda
of the Annual General Shareholders Meeting of PJSC "LUKOIL"

Moscow, 21 June 2018

1. Approval of the 2017 Annual Report of PJSC "LUKOIL", the annual accounting (financial) statements, and also the distribution of profits and adoption of a decision on payment (declaration) of dividends based on the 2017 annual results.
2. Election of the members of the Board of Directors of PJSC "LUKOIL".
3. Election of the members of the Audit Commission of PJSC "LUKOIL".
4. On the remuneration and reimbursement of expenses to members of the Board of Directors of PJSC "LUKOIL".
5. On the remuneration of members of the Audit Commission of PJSC "LUKOIL".
6. Approval of the Auditor of PJSC "LUKOIL".
7. Approval of Amendments to the Charter of Public Joint Stock Company "Oil company "LUKOIL".
8. Decision on consent to perform an interested-party transaction.



DRAFT DECISIONS OF THE 2018 ANNUAL GENERAL SHAREHOLDERS MEETING OF PJSC "LUKOIL"

Draft decision on item 1 on the agenda: ‘Approval of the 2017 Annual Report of PJSC "LUKOIL", the annual accounting (financial) statements, and also the distribution of profits and adoption of a decision on payment (declaration) of dividends based on the 2017 annual results’:

To approve the Annual Report of PJSC “LUKOIL” for 2017, annual accounting (financial) statements and also distribute the profits based on the 2017 annual results as follows:

The net profit of PJSC “LUKOIL” based on the 2017 annual results equalled 204,363,705,986 roubles.

The net profit in the amount of 110,573,223,150 roubles based on the 2017 annual results (excluding the profit distributed as interim dividends of 72,297,876,675 roubles for the first nine months of 2017) be allocated for the payment of dividends.

The remainder of the profits shall be retained earnings.

To pay dividends on ordinary shares of PJSC “LUKOIL” based on the 2017 annual results in an amount of 130 roubles per ordinary share (excluding the interim dividends of 85 roubles per ordinary share paid for the first nine months of 2017). The total amount of dividends payable for 2017 including the earlier paid interim dividends will be 215 roubles per ordinary share. The dividends of 130 roubles per ordinary share be paid using monetary funds from the account of PJSC “LUKOIL” as follows: to nominee shareholders and trust managers who are professional market participants registered in the shareholder register of PJSC “LUKOIL” to be made not later than 23 July 2018, to other persons registered in the shareholder register of PJSC “LUKOIL” to be made not later than 13 August 2018.

The costs on the transfer of dividends, regardless of the means, will be paid by PJSC “LUKOIL”.

To set 11 July 2018 as the date on which persons entitled to receive dividends based on the 2017 annual results will be determined.

Draft decision on item 2 on the agenda: ‘Election of the members of the Board of Directors of PJSC “LUKOIL”’:

To elect the Board of Directors of PJSC “LUKOIL”, consisting of 11 members, from the list of candidates approved by the Board of Directors of PJSC “LUKOIL” on 5 March 2018 (Minutes No.3):

1. ALEKPEROV, Vagit Yusufovich
2. BLAZHEEV, Victor Vladimirovich
3. GATI, Toby Trister
4. GRAYFER, Valery Isaakovich
5. IVANOV, Igor Sergeevich
6. LEYFRID, Aleksandr Viktorovich
7. MAGANOV, Ravil Ulfatovich
8. MUNNINGS, Roger
9. MATZKE, Richard
10. PICTET, Ivan
11. FEDUN, Leonid Arnoldovich
12. KHOBA, Lyubov Nikolaevna

Draft decision on item 3 on the agenda: ‘Election of the members of the Audit Commission of PJSC “LUKOIL”’:

To elect the Audit Commission of PJSC “LUKOIL” from the list of candidates approved by the Board of Directors of PJSC “LUKOIL” on 5 March 2018 (Minutes No. 3):

VRUBLEVSKIY, Ivan Nikolaevich
SULOEV, Pavel Aleksandrovich
SURKOV, Aleksandr Viktorovich

Draft decision on item 4 on the agenda: ‘On the remuneration and reimbursement of expenses to members of the Board of Directors of PJSC “LUKOIL”’:

1. To pay remuneration and reimburse expenses to members of the Board of Directors of PJSC “LUKOIL” pursuant to Appendix No.1 hereto.
2. To establish the amounts of remuneration for the newly elected members of the Board of Directors of PJSC “LUKOIL” pursuant to Appendix No.2 hereto.

Draft decision on item 5 on the agenda: ‘On the remuneration of members of the Audit Commission of PJSC “LUKOIL”’:

1. To pay remuneration to the members of the Audit Commission of PJSC “LUKOIL” in the following amounts:
I.N. Vrublevskiy – 3,500,000 roubles
P.A. Suloev – 3,500,000 roubles
A.V. Surkov – 3,500,000 roubles
2. To deem it appropriate to retain the amounts of remuneration for members of the Audit Commission of PJSC “LUKOIL” established by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 23 June 2016 (Minutes No. 1).

Draft decision on item 6 on the agenda: ‘Approval of the Auditor of PJSC “LUKOIL”’:

To approve the independent auditor of PJSC "LUKOIL" - Joint stock company KPMG.

Draft decision on item 7 on the agenda: ‘Approval of Amendments to the Charter of Public Joint Stock Company “Oil company “LUKOIL”’:

To approve Amendments to the Charter of Public Joint Stock Company “Oil company “LUKOIL””, pursuant to the Appendix hereto.

Draft decision on item 8 on the agenda: ‘Decision on consent to perform an interested-party transaction’:

To give consent to an interested-party transaction – Contract (Policy) on insuring the liability of directors, officers and companies between PJSC “LUKOIL” (Policyholder) and OAO «Kapital Insurance» (Insurer) on the terms and conditions set forth in the Appendix hereto.



**Position and recommendations
of the Board of Directors of PJSC “LUKOIL”
on items on the agenda
of the Annual General Shareholders Meeting of PJSC “LUKOIL”**

On item 1 on the agenda of the Meeting: ‘Approval of the 2017 Annual Report of PJSC “LUKOIL”, the annual accounting (financial) statements, and also the distribution of profits and adoption of a decision on payment (declaration) of dividends based on the 2017 annual results’

Position:

As provided in Clause 4, Article 88 of the Federal Law *On Joint Stock Companies*, the annual report of a company is subject to tentative approval by the company’s Board of Directors not later than 30 days before the date of its annual general shareholders meeting.

The Board of Directors of PJSC “LUKOIL” states that the Annual Report of PJSC “LUKOIL” for 2017 reviewed by the Audit Committee of the Board of Directors on 23 April 2018 and tentatively approved by the Board of Directors on 15 May 2018 was composed in accordance with the Federal Law *On Joint Stock Companies*, requirements of the *Regulation on information disclosure by issuers of issuable securities* No. 454-P adopted by the Bank of Russia as of 30 December 2014, with regard to the structure and content of the annual report, as well as recommendations of the Corporate Governance Code.

The Board of Directors of PJSC “LUKOIL” reviewed the Opinion of the Audit Commission of PJSC “LUKOIL” based on the audit of the Annual Report of PJSC “LUKOIL” for 2017. Taking into consideration the conclusions contained in the Opinion of the Company’s Audit Commission, the Board of Directors believes that the Annual Report of PJSC “LUKOIL” for 2017 is fair, i.e. is presented in such a way as to ensure, in all material respects, to reflect all data subject to disclosure in accordance with requirements set by the regulatory bodies of the Russian Federation.

The annual accounting (financial) statements of PJSC “LUKOIL” for 2017 prepared in accordance with the Russian Accounting Standards (RAS) as well as the consolidated financial statements of PJSC “LUKOIL” for 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) underwent a prior review of the Audit Committee of the Board of Directors of PJSC “LUKOIL”.

The Board of Directors of PJSC “LUKOIL” also reviewed the Auditor’s Report of 16 March 2018 issued by the Company’s independent Auditor, JSC KPMG, on the accounting (financial) statements of PJSC “LUKOIL” for 2017 prepared in accordance with the RAS.

Relying on the Auditor’s Report, the Board of Directors believes that the accounting (financial) statements of PJSC “LUKOIL” present fairly, in all material respects, its financial position as at 31 December 2017, the results of its financial activities and the cash flows for 2017 in accordance with the RAS.

The Board of Directors, based on the financial results of the company’s operations, as reflected in the accounting (financial) statements of PJSC “LUKOIL” for 2017, prepared in accordance with the RAS, and net profit of 204,363,705,986 roubles received by PJSC “LUKOIL” for 2017, believes that the Company’s net profit for 2017 (excluding the profit distributed as interim dividends of 72,297,876,675 roubles for the first nine months of 2017) shall be distributed by allocating 110,573,223,150 roubles for the payment of dividends for 2017, with the remainder of the profits being retained earnings.

The Board of Directors proceeds from the premise that at present there is no need to distribute the Company’s profit for purposes other than payment of dividends, the Reserve Fund PJSC “LUKOIL” in the amount of 15 percent of the Charter capital has been fully formed, and there are no restrictions on payment of dividends under the current legislation.

When determining the amount of dividends to be recommended to the Company’s Annual General Shareholders Meeting, the Board of Directors took into account the Company’s aim for the

uniformity of dividend payments, for which the Company plans to continue to pay dividends to shareholders at least twice a year: based on the results of the nine months of the reporting year (interim dividends) and based on the annual results (final dividends). The Company's practice of dividend payments helps to increase the market value of its securities and attract long-term investors to its shareholder base.

The amount of the final dividend recommended by the Board of Directors for the results of 2017 (130 roubles per ordinary share) is deemed by the Company's Board of Directors to be optimal, as it:

- Fully complies with the principles of calculation of the final dividend amount stated in the *Regulations on the Dividend Policy of PJSC "LUKOIL"*;
- Reflects Company's strong financial results for the reporting period as well as the current macroeconomic environment in the oil and gas industry;
- Allows LUKOIL shares to preserve leading position in terms of dividend yield relative to both Russian and international peers;
- Matches analysts' expectations and will be welcomed by the investment community;
- Allows to strike a balance between investment needs and the Company's historic commitment to steady dividend growth;
- Allows the Company to comfortably raise dividends in future periods regardless of the stage of the business cycle in the oil and gas industry.

If the recommended final dividend is approved by Annual General Shareholders Meeting, the total dividend for 2017 will amount to 215 roubles per share including the interim dividend already paid and will be 10% higher than the level of 2016, while the amount allocated to pay dividends (excluding dividends on quasi-treasury shares) will be about 40% of the adjusted consolidated net profit of PJSC "LUKOIL" under International Financial Reporting Standards (IFRS), which corresponds to the *Regulations on the Dividend Policy of PJSC "LUKOIL"*.

It is recommended that dividends be paid in cash from the bank account of PJSC "LUKOIL" within the deadlines established by the current legislation of the Russian Federation. The Company bears all and any expenses on such dividend transfer, in line with the existing corporate practices.

Following the requirements of the Federal Law *On Joint Stock Companies*, it is proposed to set the dividend record date on 11 July 2018.

Recommendation:

To approve the Annual Report of PJSC "LUKOIL" for 2017, annual accounting (financial) statements and also distribute the profits based on the 2017 annual results as follows:

The net profit of PJSC "LUKOIL" based on the 2017 annual results equalled 204,363,705,986 roubles.

The net profit in the amount of 110,573,223,150 roubles based on the 2017 annual results (excluding the profit distributed as interim dividends of 72,297,876,675 roubles for the first nine months of 2017) be allocated for the payment of dividends.

The remainder of the profits shall be retained earnings.

To pay dividends on ordinary shares of PJSC "LUKOIL" based on the 2017 annual results in an amount of 130 roubles per ordinary share (excluding the interim dividends of 85 roubles per ordinary share paid for the first nine months of 2017). The total amount of dividends payable for 2017 including the earlier paid interim dividends will be 215 roubles per ordinary share. The dividends of 130 roubles per ordinary share be paid using monetary funds from the account of PJSC "LUKOIL" as follows: to nominee shareholders and trust managers who are professional market participants registered in the shareholder register of PJSC "LUKOIL" to be made not later than 23 July 2018, to other persons registered in the shareholder register of PJSC "LUKOIL" to be made not later than 13 August 2018.

The costs on the transfer of dividends, regardless of the means, will be paid by PJSC "LUKOIL".

To propose that the Annual General Shareholders Meeting set 11 July 2018 as the date on which persons entitled to receive dividends based on the 2017 annual results will be determined.

The proposed decisions are based on the recommendations of the Audit Committee of the Board of Directors of PJSC "LUKOIL" (Minutes No.1 of 21 March 2018) and the Strategy and Investment Committee of the Board of Directors of PJSC "LUKOIL" (Minutes No.2 of 16 April 2018).

On item 2 on the agenda of the Meeting: ‘Election of the members of the Board of Directors of PJSC “LUKOIL”’

Position:

As provided in point 9.2 of the Company Charter, members of the Board of Directors consisting of 11 (eleven) persons are elected by the General Shareholders Meeting of the Company by cumulative voting for the term lasting up to the next Annual General Shareholders Meeting.

Lists of candidates for election to the Board of Directors of PJSC "LUKOIL" were formed based on proposals of shareholders holding at least 2% of the voting shares of PJSC "LUKOIL" in accordance with the current regulatory legal acts of the Russian Federation, the Charter and internal documents of the Company.

The list of candidates to the Company’s Board of Directors consists of 12 individuals, 11 of whom are current members of its Board of Directors.

The HR and Compensation Committee of the Board of Directors of PJSC “LUKOIL” has performed analysis of the professional qualifications and independence of all candidates to the Company’s Board of Directors based on their available personal data and the Independence Questionnaires received from the Board candidates. The candidates for the Board of Directors are recognized to have a flawless business reputation, possess professional qualifications, knowledge, skills and experience required for decision-making on issues within the competence of the Board of Directors and for the effective performance of their functions.

Based on the assessment of compliance of candidates to the Board of Directors of PJSC "LUKOIL" with the independence criteria established by the current version of the Listing Rules of PJSC Moscow Stock Exchange and provisions of the Corporate Governance Code, the following 5 (five) candidates to the Board of Directors of PJSC “LUKOIL” shall be deemed independent: V.V.Blazheev, T.Gati, I.S.Ivanov, R.Munnings, I.Pictet. Noteworthy, V.V. Blazheev and I.S.Ivanov shall be deemed independent due to the decision of Board of Directors based on point 9.2. of the Company Charter despite the formal criteria of association with the Company resulting from their service on the Board of Directors of PJSC “LUKOIL” exceeding the seven-year tenure since this does not affect their ability to make independent, objective and *bona fide* judgment.

Seven candidates are deemed to be associated with the Company (the Issuer): V.Yu. Alekperov, R.U. Maganov (as members of the executive bodies of PJSC “LUKOIL”); A.V. Leyfrid, L.A. Fedun (as officers of PJSC “LUKOIL”); L.N. Khoba (as a member of the executive body of PJSC “LUKOIL” within the last three years); V.I. Grayfer and Richard Matzke (as members of the Board of Directors of PJSC “LUKOIL” for more than 12 years in aggregate). All the candidates have competencies in Company’s core business activity.

The requirements towards the composition of the Board of Directors set forth in Article 66 of the Federal Law *On Joint Stock Companies* and providing that members of the collegial executive body can not constitute more than one-fourth of the Board of Directors of a company will be met.

Recommendation:

To elect the Board of Directors of PJSC “LUKOIL”, consisting of 11 members, from the list of candidates approved by the Board of Directors of PJSC “LUKOIL” on 5 March 2018 (Minutes No.3).

The proposed decision is based on the recommendations of the Human Resources and Compensation Committee of the Board of Directors of PJSC “LUKOIL” (Minutes No.1 of 29 March 2018).

On item 3 on the agenda of the Meeting: ‘Election of the members of the Audit Commission of PJSC “LUKOIL”’

Position:

As provided in Clause 2, Article 54 of the Federal Law *On Joint Stock Companies*, the agenda of the Annual General Shareholders Meeting of the Company must include an item on the election of the members of the Audit Commission of PJSC “LUKOIL”.

According to point 12.2 of the Charter of PJSC "LUKOIL", the Audit Commission consisting of three members is annually elected at the Annual General Shareholders Meeting.

As per point 8.6 of the Company Charter, shareholders who collectively own at least 2 percent of the Company's voting shares have proposed three candidates for election to the Company's Audit Commission having a flawless business and personal reputation, relevant education and experience in finance, accounting, taxation required to perform functions within the competence of the Audit Commission of PJSC "LUKOIL". These candidates are members of the current Audit Commission of PJSC "LUKOIL" with an overall positive record.

In order to comply with the requirements established by Clause 6, Article 85 of the Federal Law *On Joint Stock Companies* the proposed Audit Commission candidates are neither members of the Company's Board of Directors nor hold any other positions in the Company's governing bodies.

Recommendation:

To elect the Audit Commission of PJSC "LUKOIL" from the list of candidates approved by the Board of Directors of PJSC "LUKOIL" on 5 March 2018 (Minutes No.3).

On item 4 on the agenda of the Meeting: 'On the remuneration and reimbursement of expenses to members of the Board of Directors of PJSC "LUKOIL"'

Position:

As provided in Clause 2, Article 64 of the Federal Law *On Joint Stock Companies*, by decision of the General Shareholders Meeting, during their term of office members of the Board of Directors of a company may receive remuneration and reimbursement of expenses related to their performance of the functions of the members of the Board of Directors of the company. The amount of such remuneration and reimbursement is established by decision of the General Shareholders Meeting.

The *Director Compensation and Expense Reimbursement Policy of PJSC "LUKOIL"* (hereinafter – the Policy) provides for the principles of remuneration (Board fee) and reimbursement of expenses of members of the Board of Directors of the Company, as well as types of remuneration paid to members of the Board of Directors.

The amounts of remuneration of the members of the Board of Directors elected at the 2017 Annual General Shareholders Meeting were established by decision of the Annual General Shareholders Meeting of PJSC "LUKOIL" on 21 June 2017 (Minutes No.1), including remuneration for performance of the functions of the members of the Board of Directors, for performance of the functions of the Chairman of the Board of Directors of PJSC "LUKOIL", chairmen of its committees, members of the committee, for their participation in each and every conferences and other events on written instructions from the Chairman of the Board of Directors, for attendance in person at meetings of the Board of Directors or a committee of the Board of Directors where attendance requires a transcontinental flight.

The Policy also provides for the possibility of a partial payment of remuneration for the performance of the duties of a member of the Board of Directors by decisions of Extraordinary General Shareholders Meetings. Thus, with the partial payment in mind made based on the decision of the Extraordinary General Shareholders Meeting of PJSC "LUKOIL" of 04 December 2017 (Minutes No.2), remuneration to the members of the Board of Directors of PJSC "LUKOIL" for their performance of the duties of members of the Board of Directors for the period from the adoption of the decision by the Extraordinary General Shareholders Meeting of PJSC "LUKOIL" of 04 December 2017 to the date a decision is taken by the Annual General Shareholders Meeting will amount to 3,250,000 roubles due to each member of the Board of Directors.

In addition to the Board fee, members of the Board of Directors are reimbursed for expenses incurred in relation to their performance of the functions of members of the Board of Directors, the types of which were established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 24 June 2004 (Minutes No.1), in the amount of actually incurred documented expenses.

For the newly elected members of the Board of Directors of PJSC "LUKOIL" it is proposed to establish the remuneration with inflation adjustment of approximately 3.8% to the amount established in 2017. The proposed remuneration is largely consistent with the balance of interests of the Company and the members of the Company's Board of Directors, individual contribution of each member of the Board of Directors to the Board's performance takes their level of responsibility into account and reflects the scope of the Company's operations and the complexity of its business management.

Recommendation:

1. With the partial payment in mind made based on the decision of the Extraordinary General Shareholders Meeting of PJSC “LUKOIL” of 04 December 2017 (Minutes No.2) on a partial payment of the remuneration to members of the Board of Directors of PJSC “LUKOIL” constituting one-half of the Board fee established by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” on 21 June 2017 (Minutes No.1), to pay remuneration to the members of the Board of Directors of PJSC “LUKOIL” for their performance of the duties of members of the Board of Directors for the period from the adoption of the decision by the Extraordinary General Shareholders Meeting of PJSC “LUKOIL” of 04 December 2017 to the date a decision is taken by the Annual General Shareholders Meeting of PJSC “LUKOIL”, in the following amounts:

- V.I. Grayfer – 3,250,000 roubles
- V.Yu. Alekperov – 3,250,000 roubles
- V.V. Blazheev – 3,250,000 roubles
- T. Gati – 3,250,000 roubles
- I.S. Ivanov – 3,250,000 roubles
- R.U. Maganov – 3,250,000 roubles
- R. Munnings – 3,250,000 roubles
- R. Matzke – 3,250,000 roubles
- I. Pictet – 3,250,000 roubles
- L.A. Fedun – 3,250,000 roubles
- L.N. Khoba – 3,250,000 roubles

2. In accordance with the decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 21 June 2017 (Minutes No. 1), to pay the members of the Board of Directors the following remuneration, in addition to that for the performance of the duties of members of the Board of Directors:

- to V.I. Grayfer, for performance of the functions of the Chairman of the Board of Directors of PJSC “LUKOIL” – 5,000,000 roubles;
- to I.S. Ivanov, for performance of the functions of the Chairman of the Strategy and Investment Committee of the Board of Directors of PJSC “LUKOIL” – 1,000,000 roubles;
- to V.V. Blazheev, for performance of the functions of the Chairman of the Audit Committee of the Board of Directors of PJSC “LUKOIL” – 1,000,000 roubles;
- to R. Munnings, for performance of the functions of the Chairman of the Human Resources and Compensation Committee of the Board of Directors of PJSC “LUKOIL” – 1,000,000 roubles;
- to I.S. Ivanov, T. Gati, R.U. Maganov, L.A. Fedun, for performance of the functions of a member of the Strategy and Investment Committee of the Board of Directors – 1,000,000 roubles each;
- to V.V. Blazheev, I.S. Ivanov, I. Pictet, for performance of the functions of a member of the Audit Committee of the Board of Directors – 1,000,000 roubles each;
- to R. Munnings, V.V. Blazheev, R. Matzke, for performance of the functions of a member of the Human Resources and Compensation Committee of the Board of Directors – 1,000,000 roubles each.

3. In addition to remuneration for performing their functions as members of the Board of Directors, to pay the members of the Board of Directors of PJSC “LUKOIL”:

- for their attendance at meetings of the Board of Directors or a committee of the Board of Directors, where attendance requires a transcontinental flight, in the amount established by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 21 June 2017 (Minutes No.1);
- for each participation in conferences and other events on written instructions of the Chairman of the Board of Directors, in the amount established by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 21 June 2017 (Minutes No.1).

The specific amount of remuneration due for payment shall be determined as at the date of the Annual General Shareholders Meeting of PJSC “LUKOIL” on 21 June 2018, in accordance with the actual participation of members of the Board of Directors at meetings and conferences (other events).

4. To reimburse members of the Board of Directors for expenses in relation to their performance of the functions of members of the Board of Directors, the types of which are established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 24 June 2004 (Minutes No.1), in the amount of actually incurred documented expenses.

5. To establish the following amounts of remuneration for the newly elected members of the Board of Directors of PJSC "LUKOIL":

- for performance of the duties of a member of the Board of Directors – 6,750,000 roubles;
- for performance by a member of the Board of Directors of the functions of the Chairman of the Board of Directors – 5,200,000 roubles;
- for performance by a member of the Board of Directors of the functions of the Chairman of a committee of the Board of Directors – 1,050,000 roubles;
- for performance by a member of the Board of Directors of the functions of a member of a committee of the Board of Directors – 1,050,000 roubles;
- for attendance in person at a meeting of the Board of Directors or a committee of the Board of Directors which involves a transcontinental flight (a flight from one continent to another that lasts more than eight hours) – 350,000 roubles. If a member of the Board of Directors takes a transcontinental flight to attend the meetings of both a committee (committees) of the Board of Directors and of the Board of Directors itself, only a single amount of remuneration for the transcontinental flight will be paid;
- for each participation in conferences and other events on written instructions of the Chairman of the Board of Directors, in an amount of 150,000 roubles.

The proposed decisions are based on the recommendations of the Human Resources and Compensation Committee of the Board of Directors of PJSC "LUKOIL" (Minutes No.1 of 29 March 2018).

On item 5 on the agenda of the Meeting: 'On the remuneration of members of the Audit Commission of PJSC "LUKOIL"'

Position:

As provided in Clause 1, Article 85 of the Federal Law *On Joint Stock Companies*, by decision of the General Shareholders Meeting, members of the Audit Commission may receive remuneration during their term of office. The amount of such remuneration and reimbursement is established by decision of the General Shareholders Meeting.

The General Shareholders Meeting of PJSC "LUKOIL" held on 21 June 2017 (Minutes No.1) resolved to retain the amount of the remuneration (RUB 3,500,000) payable to each member of the Audit Commission of PJSC "LUKOIL" established by decision of the Annual General Shareholders Meeting of PJSC "LUKOIL" of 23 June 2016 (Minutes No.1). Given that the Audit Commission of PJSC "LUKOIL" has fulfilled its duties in full, the Annual General Shareholders Meeting is advised to resolve to pay remuneration in the above amount to the members of the Audit Commission and retain the amount of the remuneration payable to the members of Audit Commission of PJSC "LUKOIL" established by decision of the Annual General Shareholders Meeting of PJSC "LUKOIL" of 23 June 2016 (Minutes No.1). The proposed remuneration amount is consistent with the level of responsibility accorded to the members of the Company's Audit Commission, given the scope of the Company's operations, and makes it possible to nominate highly qualified professionals possessing the experience and skills required for efficient performance of the Audit Commission of PJSC "LUKOIL" to be elected members of the Company's Audit Commission.

Recommendation:

1. To pay remuneration to the members of the Audit Commission of PJSC "LUKOIL" in the following amounts:

I.N. Vrublevskiy	– 3,500,000 roubles
P.A. Suloev	– 3,500,000 roubles
A.V. Surkov	– 3,500,000 roubles

2. To deem it appropriate to retain the amounts of remuneration for members of the Audit Commission of PJSC "LUKOIL" established by decision of the Annual General Shareholders Meeting of PJSC "LUKOIL" of 23 June 2016 (Minutes No. 1).

The proposed decisions are based on the recommendations of the Human Resources and Compensation Committee of the Board of Directors of PJSC “LUKOIL” (Minutes No.1 of 29 March 2018).

On item 6 on the agenda of the Meeting: ‘Approval of the Auditor of PJSC “LUKOIL”’

Position:

As provided in Clause 2, Article 86 of the Federal Law *On Joint Stock Companies*, the General Shareholders Meeting of PJSC “LUKOIL” shall approve the Company Auditor.

The Company’s Annual General Shareholders Meeting is advised to approve KPMG Joint Stock Company (hereinafter, JSC KPMG) appraised by the Audit Committee of the Board of Directors of PJSC “LUKOIL” as the Company Auditor. The choice of JSC KPMG as the Company Auditor can be accounted for by the fact that JSC KPMG is one of the major audit service providers in Russia and one of the world’s largest audit firms. Since 1995, it has been auditor not only of PJSC “LUKOIL”, but also of the majority of the LUKOIL Group entities. Besides, JSC KPMG has a thorough knowledge of operational specifics of both PJSC “LUKOIL” and the entire LUKOIL Group, which fact facilitates to conduct audits in a more professional manner. The fact that there is a single auditor for both the national and international financial statements makes it possible to establish a uniform approach to auditing and utilize the available knowledge and experience during audits thereby reducing the Company’s costs. Compliance by JSC KPMG with international audit standards and the ethical requirements for audit independence ensures the high quality and confidentiality of the audit.

Recommendation:

To approve the independent auditor of PJSC "LUKOIL" - Joint Stock Company KPMG.

The proposed decision is based on the recommendations of the Audit Committee of the Board of Directors of PJSC “LUKOIL” (Minutes No.1 of 21 March 2018).

On item 7 on the agenda of the Meeting: ‘Approval of Amendments to the Charter of Public Joint Stock Company “Oil company “LUKOIL”’

Position:

As provided in Article 12 of the Federal Law *On Joint Stock Companies*, the Company Charter shall be amended by decision of the General Shareholders Meeting.

The proposed amendments to the Charter of Public Joint Stock Company “Oil company LUKOIL” to be approved by the Company’s General Shareholders Meeting are prompted by changes in the applicable legislation and the need to adjust the competence of the Company’s Management Committee to simplify decision-making, namely:

- it is proposed to exclude the function of economic dispute settlement by the Company’s standing Arbitration Tribunal from the types of activities performed by the Company under point 3.2 of the Company Charter following the termination of the Arbitration Tribunal of PJSC “LUKOIL” by decision of the Board of Directors of PJSC “LUKOIL” of 12 December 2017 (Minutes No.20) taken in accordance with Federal Law No. 382-FZ *On Arbitration Procedure in the Russian Federation* of 29 December 2015. The said Law, effective as of 01 November 2017, imposes a ban on the activities of standing arbitration tribunals established by for-profit organizations. Cessation of the above activities by the Company implies exclusion of the regulatory function over the Company’s Arbitration Tribunal activities as stated in sub-point 9.7.21 of the Company Charter from the competence of the Board of Directors of PJSC “LUKOIL”;

- the competence of the Company’s Management Committee in respect of coordination of decisions on termination of subsoil use rights on the part of the Company’s subsidiaries (sub-point 10.6.5 of the Company Charter) shall be adjusted to exclude the function of terminating the subsoil use rights in relation to subsoil areas with zero mineral reserves from the scope of resolutions approved by the Company’s Management Committee.

Recommendation:

To approve Amendments to the Charter of Public Joint Stock Company “Oil company “LUKOIL”.

On item 8 on the agenda of the Meeting: ‘Decision on consent to perform an interested-party transaction’

Position:

The Board of Directors of PJSC “LUKOIL” proposes to bring an interested-party transaction, namely, a Contract (Policy) on insuring the liability of directors, officers and companies between PJSC “LUKOIL” (Policyholder) and OAO Kapital Insurance (Insurer), hereinafter the “Policy”, to the Annual General Shareholders Meeting of PJSC “LUKOIL” for consideration. The above transaction shall be brought to the Company’s Annual General Shareholders Meeting for consideration based on Clause 3.1, Article 83 of the Federal Law *On Joint Stock Companies*, as all the members of the Board of Directors of PJSC “LUKOIL” are recognized as interested parties with respect to this transaction on the ground that they are formally deemed to be its beneficiaries, since they shall be entitled to indemnification should any insured event occur. The President and members of the Management Committee of PJSC “LUKOIL” shall be also recognized as interested parties with respect to this transaction, since they are simultaneously deemed to be its beneficiaries too. This said, the transaction is worth less than ten (10) percent¹ of the book value of the Company’s assets, based on its accounting (financial) statements as of the most recent reporting date.

Under the Policy, the following liability shall be insured in 2018-2019:

- Under Cover A – the sole executive body, members of management bodies, employees of PJSC “LUKOIL” and/or subsidiaries of PJSC “LUKOIL”, and/or other organisations with the participation of PJSC “LUKOIL” and/or its subsidiary based on whose proposals the sole executive body and/or members of management bodies of such organisations were elected;

- Under Cover B – PJSC “LUKOIL”, subsidiaries of PJSC “LUKOIL”, other organisations with the participation of PJSC “LUKOIL” and/or its subsidiary based on whose proposals the sole executive body and/or members of management bodies of such organisations were elected;

- Under Cover C – PJSC “LUKOIL”, subsidiaries of PJSC “LUKOIL” in respect of any Securities Claims.

The total aggregate limit (liability limit) for Covers A, B and C is at least USD 150,000,000. The Insurance premium for coverage A, B and C to be paid by the Company will be not more than USD 430,000.

Such liability insurance has been maintained by the Company since 2003, which complies with the generally recognized best practices and the Corporate Governance Code that recommends that the said insurance be maintained using joint stock companies’ own funds to the effect that should the activities of the Board members and other officers cause loss to the Company or third parties, such loss could be covered using insurance company funds.

The Policy is proposed to be concluded with OAO Kapital Insurance, member of the ROSGOSSTRAKH Group and one of the leading corporate insurance companies in Russia. The principal activity of this company is to insure major risks in the fuel and energy sector. Liability insurance agreements covering liability of directors, officers and companies have been concluded between PJSC “LUKOIL” and this Insurer since 2005.

Recommendation:

To give consent to an interested-party transaction – Contract (Policy) on insuring the liability of directors, officers and companies between PJSC “LUKOIL” (Policyholder) and OAO «Kapital Insurance» (Insurer).

No special opinions on items on the agenda of the Annual General Shareholders Meeting of PJSC “LUKOIL” have been filed by the members of the Board of Directors of PJSC “LUKOIL” during preparations for the Annual General Shareholders Meeting of PJSC “LUKOIL”.

¹ In accordance with the Company’s accounting (financial) statements as at the latest reporting date (31 March 2018), 10 percent of the book value of its assets is equal to 199,544,200,600 roubles.

Public Joint Stock Company “Oil Company “LUKOIL”

Performance summary in 2017

Exploration works and hydrocarbon reserves

At year end, the Group's SEC proved hydrocarbon reserves amounted to 16.0 billion boe, with oil accounting for 75% of this volume. The reserves life was 19 years compared to the average of 12 years among the world's largest private oil and gas companies. LUKOIL's proved reserves stepped up by 501 million boe as a result of exploration works and production drilling in 2017. The growth was mainly driven by the Company's key production area West Siberia contributing 198 million boe.

The application of cutting-edge exploration methods resulted in the success rate of exploration drilling reaching 87%, as well as the discovery of six new fields and 49 deposits. The success rate at the Bolshekhetskaya depression, Caspian, Urals and Timan-Pechora sites was even 100%.

Active exploration works were underway in the Caspian and Baltic Seas. Well drilling activities confirmed the productivity of the Khazri and Yuzhnaya structures. The exploration of fields discovered earlier was completed in the Baltic Sea, and the preparation works for their development design were started.

The potential of Block 10 at the major Eridu field in Iraq discovered in 2016 was confirmed, three exploratory wells drilled and seismic acquisition launched on uncovered Block parts.

Oil and gas production

At the end of 2017, the average daily production of hydrocarbons of the LUKOIL Group amounted to 2.3 million boe, with liquid hydrocarbons accounting for 79.5%, and natural and associated gas for the remaining 20.5%. A year-on-year increase in production, excluding the West Qurna-2 project in Iraq, was 2.5%, mainly driven by the development of gas projects in Russia and Uzbekistan.

In 2017, the volume and dynamics of LUKOIL Group's oil production in Russia were affected by external constraints in accordance with an agreement between Russia and OPEC. With that in mind, the Company continued to step up production at major new fields as planned while reducing production volumes at mature fields in West Siberia and Timan-Pechora. In particular, the active development of the high-performing V. Filanovsky and Pyakyakhinskoye fields put into operation in 2016 was underway, and the production volumes of high-viscosity oil at the Yaregskoe and Usinskoe deposits in Timan-Pechora and oil

from low-permeable reservoirs of V. Vinogradov and Imilorsky fields were expanded. As a result, the share of new high-performing fields in the Company's cumulative production in Russia almost doubled. During the year, oil production was launched at 12 new fields, primarily in Timan-Pechora and the Volga region.

Gas production reached 28.9 billion cubic meters, a 15.8% year-on-year increase driven by Uzbekistan projects and the launch of production at the Pyakyakhinskoye field in the Bolshekhetskaya depression, in the north of West Siberia.

Oil refining

For 2017, refining of oil feedstock at the Group's own and associate refineries grew by 1.8% to reach 67.2 million tonnes, with Russian refineries accounting for 64% of the cumulative refining volumes.

Reaching of rated capacity of facilities put into operation as part of a large-scale refinery modernization program resulted in increased refining volumes (by 1.8% for the Group and 3.2% for the Russian refineries) and significant improvement of the oil product mix. The output of light oil products rose by 4.8 pp, to 71.3% year-on-year, while the refining depth went up by 1.6 percentage points, to 86.8%. Production of fuel oil and vacuum gas oil shrank by 3.4 million tonnes.

Premium distribution channels

Retail sales. In 2017, the total retail sales of petroleum products amounted to 14.2 million tonnes, with Russia accounting for 10.1 million tonnes, and overseas operations for 4.2 million tonnes. The optimization of the filling station network, together with effective marketing, boosted growth of daily average sales by 2%, to 10.1 tonnes per day. The growth in Russia was 12.8 tonnes per day.

Branded fuels. In 2017, EKTO sales picked up by 14% amounting to 8.6 million tonnes. The growth was seen both in the gasoline and diesel segments in Russia and abroad. June 2017 saw the introduction of the premium gasoline brand EKTO 100. This new enhanced fuel from the EKTO family having better operational characteristics completely replaced EKTO Sport in the retail petrol station network of the Company.

Lubricating oils. In 2017, the Company's total production of lubricants increased by 8.8% to 1,126 thousand tonnes, while sales of branded oils rose by 13.6% to 585 thousand tonnes. Production and sales growth was, *inter alia*, driven by the active implementation of the import substitution program and a favorable market environment.

Marine and aircraft fuels. Aircraft refueling picked up by 17.9% to 3.2 million tonnes due to the growth in demand for aircraft fuels and active work with end

consumers. Sales of marine fuels grew by 35.6% to 4.5 million tonnes thanks to the growth in demand for the Company's products in the Baltic basin.

Corporate social responsibility

In 2017, the Company managed to improve all key environmental indicators and reach ahead of schedule all the goals set as part of the Environmental Safety Program for 2014–2018.

The main achievement for the reporting year was an increase in the associated petroleum gas utilization rate to 95.4% as a result of overhaul and commissioning of new facilities in Timan-Pechora and the Caspian. The reduction in associated gas flaring helped decrease emissions of pollutants and CO₂. Furthermore, the reporting year saw a decrease in water consumption for own needs by 9.6% and the reduction of the area of polluted lands by 30.2%. Polluted effluents comprised just 0.5% of the total water discharge with the waste disposal volumes being close to the waste volumes produced.

Corporate governance

In 2017, considerable attention was paid to improving internal corporate procedures and practices in accordance with the recommendations of the Code of Corporate Governance recommended for use by the Bank of Russia (hereinafter the Code). The following activities were carried out:

- E-voting implementation
- Enhancement of the system of internal control and risk management
- Approval of internal documents ensuring the exercise of shareholders' rights and relating to the remuneration of members of the Board of Directors
- Increase of information transparency in the area of sustainable development

As a result of implementation of the above and other measures, the share of the principles of the Code fully complied with by PJSC "LUKOIL" rose from 66% to 72% year-on-year¹. As of the end of 2017, the Company observed almost all the fundamental principles of the Code of Corporate Governance.

¹The methodology for assessing compliance with the principles of the Code is based on a comparison of PJSC "LUKOIL" practices with detailed recommendations of the Code. In the case of non-compliance with at least one of the detailed recommendations for the item, the relevant item is considered to be partially complied with. In the event of failure to comply with all the detailed recommendations for the item, the latter is considered as not being respected by the Company.

IFRS consolidated financial performance

Sales revenues for 2017 increased by 13.6% compared to 2016, to 5,936.7 billion roubles. They were mainly driven by increase in hydrocarbon prices and growth in trading volumes. The revenues were negatively impacted by the rouble appreciation and reduction in compensation oil production under the West Qurna-2 project.

EBITDA for 2017 reached RUB 831.6 billion representing a year-on-year increase of 13.8%. This upward trend was mainly due to the increase in selling prices, increase in the share of high-margin volumes in the production breakdown, growth of gas production in Russia and Uzbekistan, improvement in the output structure at the Company's own refineries and sales growth through premium distribution channels. The reduction in transport, selling and distribution, general and administrative expenses was also an important contributor to the indicator growth. EBITDA was, however, negatively impacted by the reduction in compensation oil production under the West Qurna-2 project in Iraq. Without this factor, the EBITDA growth for 2017 made up 17.8% year-on-year.

Net profits attributable to the Company's shareholders more than doubled year-on-year reaching 418.8 billion roubles. The non-monetary effects of exchange rate differences, impairment losses on assets, reversal of impairment previously recognized, as well as proceeds from disposal of JSC "Arkhangelskgeoldobycha" in Q2 2017, significantly affected the size and dynamics of the Company's net profit. Without these factors, the net profit growth attributable to the shareholders of PJSC "LUKOIL" amounted to 31.5%.

Adjusted free cash flows (before changes in working capital, the West Qurna-2 project and tax on the proceeds from sale) increased by 45.4% compared to 2016 totaling 286.3 billion roubles.

Share and depositary receipt performance

For 2017, the share price of PJSC "LUKOIL" on the Moscow Stock Exchange decreased by 3%, to 3,335 roubles per share demonstrating better performance versus the MICEX Oil and Gas industry index which fell by 9%. The depositary receipts of PJSC "LUKOIL" trading on the London Stock Exchange went up by 2%, to USD 57.2.

**INFORMATION ON CANDIDATES FOR THE BOARD OF DIRECTORS
OF PJSC "LUKOIL", RESULTS OF THE EVALUATION OF THE SAID CANDIDATES
PERFORMED BY THE HUMAN RESOURCES AND COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS OF PJSC "LUKOIL" AND INFORMATION ON THE
CANDIDATES' COMPLIANCE WITH THE RELEVANT INDEPENDENCE CRITERIA, AND
ALSO INFORMATION ON CANDIDATES
FOR THE AUDIT COMMISSION OF PJSC "LUKOIL" AND INFORMATION ON
PRESENCE OR ABSENCE OF WRITTEN CONSENT TO BE ELECTED TO
RELEVANT GOVERNANCE BODY OF PJSC "LUKOIL"**



Valery Isaakovich Grayfer

Chairman of the Board of Directors of PJSC «LUKOIL», Non-executive Member of the Board of Directors of PJSC «LUKOIL», Chairman of the Board of Directors of JSC RITEK

Born: 1929

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 OAO RITEK. Since 2000: Chairman of the Board of Directors of PJSC «LUKOIL». Since 2010: Chairman of the Board of Directors of JSC RITEK. Professor of the Gubkin Russian State University of Oil and Gas. Lenin Prize and Russian Government Prize Winner.

Has executive/managerial experience, higher professional education in the area of the Company's core production activities, and a record of government service and expertise in government and international relations.



Vagit Yusufovich Alekperov

President of PJSC «LUKOIL», Executive Member of the Board of Directors of PJSC «LUKOIL», Chairman of the Management Committee of PJSC «LUKOIL»

Born: 1950

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 three 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 Oil Concern Langepasuraikogalymneft. 1993–2000: Chairman of the Board of Directors of OAO «LUKOIL».

Since 1993: President of PJSC «LUKOIL».

Has executive/managerial experience, higher professional education in the area of the Company's core production activities, and a record of government service and expertise in government and international relations.



Victor Vladimirovich Blazheev

Independent** Member of the Board of Directors of PJSC «LUKOIL», Rector of the O.E. Kutafin Moscow State Law University (MSAL), Chairman 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»

Born: 1961

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), Professor. Recipient of a 2nd degree Medal of the Order "For Merits to the Fatherland". Was awarded the title "Honored Lawyer of the Russian Federation", a breastplate "Honored Worker of Higher Professional Education in the Russian Federation", the title "Honored Worker of Science and Technology of the Russian Federation". Since 1999, Mr. Blazheev has been engaged in educational (as a lecturer) and administrative activities occupying various positions at Moscow State Academy of Law. 1999-2001: Dean of the full-time day department of Moscow State Academy of Law. 2001-2002: Vice-Rector of Moscow State Academy of Law in charge of academic agenda. 2002 –2007: First Vice-Rector of Moscow State Academy of Law in charge of academic agenda. Since 2007: Rector of the O.E. Kutafin Moscow State Law University (MSAL).

Has executive/managerial experience and experience/expertise in Economics and Finance.



Toby Trister Gati

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»

Born: 1946

In 1967 graduated from Pennsylvania State University (Bachelor's degree (BA) in Russian Literature and Language), in 1970 – Columbia University (Master's degree (MA) in Russian Literature), in 1972 – the Harriman Institute at Columbia University (Master's degree in International Affairs (MIA) and Certificate in Russian Studies).

1997 — April 2016: Senior Advisor on matters of international cooperation and international relations at Akin Gump Strauss Hauer & Feld LLP. Since 2016: President of TTG Global LLC, since 2012: Member of the U.S.-Russia Business Council (USRBC). Participant in the Valdai Discussion Club.

Has executive/managerial experience, a record of government service and expertise in government and international relations.



Igor Sergeevich Ivanov

Independent** Member of the Board of Directors of PJSC «LUKOIL», President of the Russian International Affairs Council (RIAC) not-for-profit partnership, Chairman of the Strategy and Investment Committee of the Board of Directors of PJSC «LUKOIL»

Born: 1945

Graduated from the Maurice Thorez Moscow State Institute of Foreign Languages in 1969. Associate member of the Russian Academy of Sciences. Doctor of History, Professor. Has the diplomatic rank of the Ambassador Extraordinary and Plenipotentiary of the Russian Federation. Recipient of Russian and foreign 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: Lecturing activity at the Department of World Political Processes 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. Since 2013: Member of the Board of the Managing Directors of Rissa Investments N.V. Since 2016: Member of the International Advisory Board of UniCredit Group.

Has executive/managerial experience, experience/expertise in Economics and Finance, a record of government service and expertise in government and international relations.



Leyfrid Aleksandr Viktorovich

Vice-President of PJSC «LUKOIL»

Born: 1963

Graduated from Tyumen State Oil and Gas University in 1994. Graduated from the Ufa State Oil Technical University in 2002. Underwent Executive MBA: Oil and Gas Business professional retraining program at the Institute of Oil and Gas Business in 2012. Honored oil specialist. Recipient of order and four medals. Member of the Legislative Assembly of Perm Krai I and II convocations. Member of the All-Russian political party "United Russia" since 2004. 2002-2005: General Director LUKOIL-Kogalymneftegaz (oil-producing entity). 2005–2015: General Director OOO LUKOIL-Perm. 2015-March 2018: General Director of OOO «LUKOIL-Komi» and Vice-President OAO «LUKOIL», PJSC «LUKOIL» (job combination). Current position: Vice-President – Head of the Internal Audit Service of PJSC «LUKOIL».

Has executive/managerial experience, higher professional education in the area of the Company's core production activities and a record of government service.



Ravil Ulfatovich Maganov

Executive Member of the Board of Directors of PJSC «LUKOIL», Vice-Chairman of the Board of Directors 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»

Born: 1954

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, a Certificate of Honor from the Russian Federation President. 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 OAO «LUKOIL» (Oil Production). 1994–2006: First Vice-President of OAO «LUKOIL» (E&P). Since 2006: First Executive Vice-President of PJSC «LUKOIL» (E&P). Since 2000 - member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Has executive/managerial experience, higher professional education in the area of the Company's core production activities.



Roger Munnings

Independent* Member of the Board of Directors of PJSC «LUKOIL», Chairman of the Human Resources and Compensation Committee of PJSC «LUKOIL», Independent member of the Board of Directors of Sistema Public Joint Stock Financial Corporation since 2010.

Born: 1950

Graduated from the University of Oxford in 1972, where Mr. Munnings earned a Master's Degree in Philosophy, Politics and Economics.

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).

Since 2012: Chairman of the Russian-British Chamber of Commerce. Member of the Russian National Council on Corporate Governance, Member of the Expert Council of the Russian Institute of Directors and the Russian Union of Industrialists and Entrepreneurs, Fellow of the Institute of Chartered Accountants in England and Wales. Roger Munnings was appointed CBE in the UK in HM The Queen's New Year's Honours List in 2007.

Has executive/managerial experience and experience/expertise in Economics and Finance.



Richard Matzke

Non-executive 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».

Born: 1937

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 the Board of Directors of Chevron, Chevron-Texaco Corporation.

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. 2010–2013: Board member of Eurasia Drilling Company.

Has executive/managerial experience, higher professional education in the area of the Company's core production activities.



Ivan Pictet

Independent* Member of the Board of Directors of PJSC «LUKOIL», Member of the Audit Committee of PJSC «LUKOIL», Chairman of the Board of Directors of Symbiotics, Chairman of the Board of Directors of PSA International SA

Born: 1944

Master in Economics from the School of Business Administration at the University of St. Gallen (1970). 1982-2010: Managing Partner of Pictet & Cie. 1995-2014: member of the International Advisory Board of Blackstone Group International Limited. 2005-2015: a Member of the Investments Committee of the UN Joint Staff Pension Fund. 2011-2015: a member of the AEA Investors LP Global Advisory Board (NY, USA). Mr. Pictet is a member of the following governing bodies: since 2010 – AEA European Advisory Board. 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 Geneve 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.

Has executive/managerial experience and experience/expertise in Economics and Finance.



Leonid Arnoldovich Fedun

Executive Member of the Board of Directors of PJSC «LUKOIL»¹, Vice-President for Strategic Development of PJSC «LUKOIL», Member of the Strategy and Investment Committee of the Board of Directors of PJSC «LUKOIL»

Born: 1956

Graduated from the M.I. Nedelin Higher Military Command School in Rostov in 1977 and the Graduate School of Privatization and Entrepreneurship in 1993. Candidate of Philosophical Sciences (PhD). Honored oil specialist. 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 of OAO «LUKOIL». Since February 2012: Vice-President for Strategic Development of PJSC «LUKOIL».

Has executive/managerial experience, experience/expertise in Economics and Finance, a record of government service and expertise in government and international relations.



Lyubov Nikolaevna Khoba

Non-executive Member of the Board of Directors of PJSC «LUKOIL».

Born: 1957

Graduated from Sverdlovsk Institute of National Economy in 1992. Candidate of Economic Sciences. Merited economist of the Russian Federation, Honored oil specialist, Honored worker of the energy sector. Recipient of two orders and two medals.

1991—1993: Chief Accountant of Production Association Kogalymneftegaz.

1993-2000: Chief Accountant of OAO «LUKOIL». 2000-2003: Vice-President of OAO «LUKOIL», Head of the Main Division of Financial Accounting. In 2003-2004: Chief Accountant—Vice-President of OAO «LUKOIL». 2004-2012: Chief Accountant of OAO «LUKOIL». 1993 - May 2017: member of the Management Committee, 2012 - February 2018: Vice-President, Chief Accountant of PJSC «LUKOIL». Since 2001: Member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Since 2012: Chairperson of the Supervisory Board of LUKOIL Accounting and Finance Europe s.r.o.

Has executive/managerial experience and experience/expertise in Economics and Finance.

¹ In accordance with the recommendations of the Corporate Governance Code, executive directors are understood not only to be members of the Management Committee of PJSC "LUKOIL", but also persons employed by the

The candidates have given their written consent to be elected to the Board of Directors of PJSC "LUKOIL".

* Qualify as independent candidates for the Board of Directors of PJSC "LUKOIL" pursuant to the Corporate Governance Code recommended by the Bank of Russia by Letter No. 06-52/2463 dated 10.04.2014 and the Moscow Exchange Listing Rules.

** Is recognized as an independent candidate for the Board of Directors of PJSC "LUKOIL" (point 9.2 of the Charter of PJSC "LUKOIL") based on the decision taken by the Board of Directors on 21 June 2017 (Minutes No.9), on recognizing V.V. Blazheev and I.S. Ivanov as independent members of the Company's Board of Directors despite the formal criteria of association with the Company resulting from their service on the Board of Directors of PJSC "LUKOIL" exceeding the seven-year tenure.

Based on the analysis of all available biographical details of the candidates for the Board of Directors of PJSC "LUKOIL", the Human Resources and Compensation Committee of PJSC "LUKOIL" recognized that the candidates for the Board of Directors have a flawless business reputation, possess professional qualifications, knowledge, skills and experience required for decision-making on issues within the competence of the Board of Directors and for the efficient performance of their functions (Minutes No.1 of 29.03.2018).

INFORMATION ON CANDIDATES FOR THE AUDIT COMMISSION OF PJSC “LUKOIL”



Ivan Nikolaevich Vrublevskiy was born on 8 May 1974. Graduated from Moscow Finance Academy under the RF Government in 1996 with a degree in Accounting and Audit. Employed since 1993. In 2005 – 2012: Head of the Division of Transformation of Financial Statements of LUKOIL Group Organisations at the Accounting Department of OAO "LUKOIL". 2012 – 2013: Head of the Division of Transformation of Financial Statements of LUKOIL Group Organisations at the International Reporting Department of OAO "LUKOIL". Since 2013: Managing Director of LUKOIL Accounting and Finance Europe s.r.o., Czech Republic.



Pavel Aleksandrovich Suloev was born on 8 December 1957. Graduated from the G.V. Plekhanov Russian Economics Academy in 1982 with a degree in Economics. Employed since 1982. In 2001-2012: Chairman of the Board of SLB Commercial Bank AG, Zurich. 2012 – 2013: Director of Investments, LITASCO, Geneva. Since 2014: Control and Internal Audit Director of ZAO Management Centre Managing Company.



Aleksandr Viktorovich Surkov was born on 12 August 1969. Graduated from Ufa Oil Institute in 1993 with a degree in Enterprise Economics and Management. Employed since 1987. In 2009 – 2011: Head of the Division of Automation, Period Closing and Preparation of Financial Statements at the Accounting Department of OAO "LUKOIL". 2011: General Director (job combination) of OOO LUKOIL-Volgograd Regional Accounting Centre. Since 2011: General Director of OOO LUKOIL-Volgograd Regional Accounting Centre.

All the candidates have given their written consent to be elected to the Audit Commission of PJSC “LUKOIL”.



PJSC "LUKOIL" (not including subsidiaries and equity affiliates)
BALANCE SHEET
as at 31 December 2017

million roubles

	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015
Non-current assets			
Intangible assets	384	368	347
R&D	30	32	34
Intangible development assets	-	-	-
Tangible development assets	-	-	-
Property, plant and equipment	14,818	15,427	14,781
Income-bearing investments in tangible assets	-	-	-
Financial investments	1,585,422	1,135,473	1,143,633
Deferred tax assets	3,246	532	493
Other non-current assets	538	82	214
<u>Non-current assets, total</u>	<u>1,604,438</u>	<u>1,151,914</u>	<u>1,159,502</u>
Current assets			
Inventories	30	35	19
VAT on purchased assets	37	239	29
Accounts receivable	294,680	189,066	140,710
Financial investments (other than cash equivalents)	75,802	473,099	595,695
Cash and cash equivalents	121,545	132,426	127,226
<u>Current assets, total</u>	<u>492,094</u>	<u>794,865</u>	<u>863,679</u>
<u>ASSETS TOTAL</u>	<u>2,096,532</u>	<u>1,946,779</u>	<u>2,023,181</u>
Equity and reserves			
Charter capital	21	21	21
Additional paid-in capital, including revaluation of non-current assets	12,625	12,625	12,625
Reserve capital	3	3	3
Retained earnings	1,342,277	1,312,190	1,288,596
<u>Equity and reserves, total</u>	<u>1,354,926</u>	<u>1,324,839</u>	<u>1,301,245</u>
Non-current liabilities			
Loans and borrowings	119,749	159,057	309,182
Deferred tax liabilities	541	497	421
Other non-current liabilities	84	23	-
<u>Non-current liabilities, total</u>	<u>120,374</u>	<u>159,577</u>	<u>309,603</u>
Current liabilities			
Loans and borrowings	361,052	265,853	254,372
Accounts payable	241,486	193,939	155,616
Estimated liabilities	18,694	2,571	2,345
<u>Current liabilities, total</u>	<u>621,232</u>	<u>462,363</u>	<u>412,333</u>
<u>LIABILITIES AND EQUITY TOTAL</u>	<u>2,096,532</u>	<u>1,946,779</u>	<u>2,023,181</u>

**INCOME STATEMENT**
for the year ended 31 December

million roubles

	2017	2016
Net sales revenues	223,420	316,541
Including receipts from participation in the authorised capitals of other organisations	179,265	273,122
Cost of goods sold	(19,365)	(18,042)
Gross profit	204,055	298,499
Export customs duties	-	(65)
Selling expenses	(1,899)	(3,479)
Administrative expenses	(44,410)	(24,162)
Profit from sales	157,746	270,793
Income from equity in other organisations	-	-
Interest receivable	65,726	67,435
Interest payable	(36,834)	(51,353)
Result of other income and expenses	27,055	(104,141)
Profit before taxes	213,693	182,734
Current income tax	(12,303)	16,100
Deferred income tax	2,670	(37)
Other	(97)	168
Redistribution of income tax inside the consolidated group of taxpayers	401	(16,399)
Net profit	204,364	182,566
Result of revaluation of non-current assets not included in net profit	-	-
Result of other transactions not included in net profit of the period	-	-
Cumulative financial result of the period	204,364	182,566

**Amendments
to the Charter of Public Joint Stock Company
“Oil company “LUKOIL”**

1. Revise sub-point 3.2.10 of point 3.2. of Article 3 «Objective and Types of Activity of the Company» to read as follows:

«3.2.10. Legal support and provision of legal services;».

2. Sub-point 9.7.21 of point 9.7 of Article 9 “The Board of Directors” shall be deleted. Sub-points 9.7.22-9.7.29 shall be re-numbered as sub-points 9.7.21-9.7.28.

3. Sub-point 10.6.5. of point 10.6 of Article 10 “President of the Company and the Management Committee” to read as follows:

«10.6.5. Development and implementation of the general development strategy for Company subsidiaries, including uniform production, technical, fiscal, pricing, sales, social and staffing policies, preliminary approval of the decisions of Company subsidiaries on participation in other entities, as well as decisions on the acquisition of subsoil use rights which could lead to investment expenses in an amount exceeding the rouble equivalent of USD 150 million, and termination of rights to subsoil use at the initiative of the subsoil user, except termination of rights to use subsoil blocks with zero mineral reserves, and coordination of the operations of Company subsidiaries, including approval of the documents regulating the activities of Company subsidiaries;».

**Table of Amendments to the current version
of the Charter of Public Joint Stock Company “Oil company “LUKOIL”**

№	Current version of the Company Charter	New version of the Company Charter	Comments
1.	Sub-point 3.2.10 of point 3.2: «3.2.10. Legal support and provision of legal services, including settlement of economic disputes through the standing Arbitration Tribunal of the Company;».	Sub-point 3.2.10 of point 3.2: «3.2.10. Legal support and provision of legal services, including settlement of economic disputes through the standing Arbitration Tribunal of the Company; ».	It is proposed to exclude the function of economic dispute settlement by the Company’s standing Arbitration Tribunal from the types of activities performed by the Company following the termination of the Arbitration Tribunal of PJSC “LUKOIL” by decision of the Board of Directors of PJSC “LUKOIL” of 12 December 2017 (Minutes No.20) taken in accordance with Federal Law No. 382-FZ <i>On Arbitration Procedure in the Russian Federation</i> of 29 December 2015. The said Law, effective as of 01 November 2017, imposes a ban on the activities of standing arbitration tribunals established by for-profit organizations.

2.	Sub-point 9.7.21 of point 9.7 «9.7.21. regulation of the activities of the Company's Arbitration Tribunal;».	Sub-point 9.7.21 of point 9.7 of Article 9 “The Board of Directors” shall be deleted. Sub-points 9.7.22-9.7.29 shall be re-numbered as sub-points 9.7.21-9.7.28.	Exclusion of sub-point 9.7.21, point 9.7, Article 9 of the Company Charter follows the termination of the Arbitration Tribunal of PJSC “LUKOIL” by decision of the Board of Directors of PJSC “LUKOIL” of 12 December 2017 (Minutes No.20). Please see commentary 1 above.
3.	Sub-point 10.6.5. of point 10.6 «10.6.5. development and implementation of the general development strategy for Company subsidiaries, including uniform production, technical, fiscal, pricing, sales, social and staffing policies, preliminary approval of the decisions of Company subsidiaries on participation in other entities, as well as decisions on the acquisition of subsoil use rights 20 which could lead to investment expenses in an amount exceeding the rouble equivalent of USD 150 million, and termination of rights to subsoil use at the initiative of the subsoil user, except termination of subsoil use rights for geological exploration, and coordination of the operations of Company subsidiaries, including approval of the documents regulating the activities of Company subsidiaries;».	Sub-point 10.6.5. of point 10.6 «10.6.5. Development and implementation of the general development strategy for Company subsidiaries, including uniform production, technical, fiscal, pricing, sales, social and staffing policies, preliminary approval of the decisions of Company subsidiaries on participation in other entities, as well as decisions on the acquisition of subsoil use rights which could lead to investment expenses in an amount exceeding the rouble equivalent of USD 150 million, and termination of rights to subsoil use at the initiative of the subsoil user, except termination of subsoil use rights for geological exploration <u>rights to use subsoil blocks with zero mineral reserves</u> , and coordination of the operations of Company subsidiaries, including approval of the documents regulating the activities of Company subsidiaries;».	This amendment specifies the competence of the Company’s Management Committee when coordinating decisions on termination of subsoil use rights by the Company’s subsidiaries in order to simplify decision-making on terminating the subsoil use rights for subsoil areas with zero mineral reserves.

Deleted provisions are shown in this table as strikethrough text, and new provisions are shown as bold and underlined text.



MINUTES No. 1
of the Annual General Meeting of Shareholders
of Public Joint Stock Company “Oil company “LUKOIL”

Full trade name of the company: *Public Joint Stock Company “Oil company “LUKOIL”*

Location of the company: Moscow

Address of the company: *Sretensky bulvar 11, Moscow 101000 Russian Federation*

Type of the General Meeting: *annual*

Form of the General Meeting: *a meeting (joint attendance of shareholders to discuss agenda items and take decisions on issues put to a vote) with preliminary distribution (dispatch) of ballots before the conduct of the Meeting*

The date of of determining (formalizing) the persons entitled to participate in the General Meeting: *29 May 2017*

Date of the General Meeting: *21 June 2017*

Place of the General Meeting: *PJSC “LUKOIL”, Sretensky bulvar 11, Moscow, Vega Conference Hall (entrance from Kostyansky pereulok)*

Opening of the General Meeting: *11:00 a.m.*

Closing of the General Meeting: *02:03 p.m.*

Start of registration of persons entitled to participate in the General Meeting: *9:30 a.m.*

End of registration of persons entitled to participate in the General Meeting: *01: 19 p.m.*

Start of counting votes: *01:24 p.m.*

Postal address to which completed ballots had been sent: *OOO «Registrator «Garant», Krasnopresnenskaya Naberezhnaya 6, Moscow, 123100, Russian Federation*

Date of preparation of the Minutes: *23 June 2017*

Item 4 on the agenda. On the remuneration and reimbursement of expenses to members of the Board of Directors of PJSC “LUKOIL”.

Resolution on Item 4 on the agenda (Ballot No.4):

- 1. To pay remuneration and reimburse expenses to members of the Board of Directors of PJSC “LUKOIL” pursuant to Appendix No.1.*
- 2. To establish remuneration for newly elected members of the Board of Directors of PJSC “LUKOIL” according to Appendix No.2.*

...

Voting results on Item 4 (point 2) on the agenda:

- | | |
|--|-------------|
| 1. The number of votes belonging to the persons included in the list of persons entitled to participate in the General Meeting on this Item: | 850,563,255 |
| 2. The number of votes for the Company's voting shares on this agenda item determined taking into account the provisions of point 4.20 of the <i>Regulations on additional requirements to the procedure of preparation, convocation and holding of General Shareholders Meetings</i> , approved by FSFM Order No.12-6/pz-n of 02.02.2012: | 850,563,255 |

3. The number of votes belonging to the persons who took part in the General Meeting on this Item: 629,872,000 (74.0535%), the Item is quorate

The number of votes cast for each voting option:

“For”	628,365,480 (99.7608%)
“Against”	607,462
“Abstain”	577,604

Decision taken on Item 4 (point 2) on the agenda:

To establish remuneration for newly elected members of the Board of Directors of PJSC “LUKOIL” according to Appendix No.2.

Chairman of the Meeting R.U.Maganov

Secretary of the Meeting N.A. Illarionov

I hereby certify that this is a true and accurate excerpt from Minutes No.1

Corporate Secretary N.I. Podolskaya

Appendix to decision on Item 4 (point 2) on the agenda of the Annual General Meeting of Shareholders of Public Joint Stock Company “Oil company “LUKOIL” of 21 June 2017 (Minutes No.1)

To establish the following amounts of remuneration for the newly elected members of the Board of Directors of PJSC “LUKOIL”:

- for performance of the duties of a member of the Board of Directors – 6,500,000 roubles;
- for performance by a member of the Board of Directors of the functions of the Chairman of the Board of Directors – 5,000,000 roubles;
- for performance by a member of the Board of Directors of the functions of the Chairman of a committee of the Board of Directors – 1,000,000 roubles;
- for performance by a member of the Board of Directors of the functions of a member of a committee of the Board of Directors – 1,000,000 roubles;
- for attendance in person at a meeting of the Board of Directors or a committee of the Board of Directors which involves a transcontinental flight (a flight from one continent to another that lasts more than eight hours) – 350,000 roubles. If a member of the Board of Directors takes a transcontinental flight to attend the meetings of both a committee (committees) of the Board of Directors and of the Board of Directors itself, only a single amount of remuneration for the transcontinental flight will be paid;
- for each participation in conferences and other events on written instructions of the Chairman of the Board of Directors, in an amount of 150,000 roubles.



MINUTES No. 1
of the Annual General Meeting of Shareholders
of Public Joint Stock Company “Oil company “LUKOIL”

Full trade name of the company: *Public Joint Stock Company “Oil company “LUKOIL”*

Location of the company: Moscow

Address of company: *Sretensky bulvar 11, Moscow 101000 Russian Federation*

Type of the General Meeting: *annual*

Date of the General Meeting: *23 June 2016*

Date of preparation of the Minutes: *27 June 2016*

Item 6 of the agenda. On the remuneration of members of the Audit Commission of PJSC “LUKOIL”.

Resolution on Item 6 on the agenda (Ballot No.6):

...

«2. To establish the following amount of remuneration for the newly elected members of the Audit Commission of PJSC “LUKOIL” - 3,500,000 roubles each.».

Decision taken on Item 6 (point 2) on the agenda:

To establish the following amount of remuneration for the newly elected members of the Audit Commission of PJSC “LUKOIL” - 3,500,000 roubles each.

Chairman of the Meeting

V.I. Grayfer

Secretary of the Meeting

N.A. Illarionov

I hereby certify that this is a true and accurate excerpt from Minutes No.1

Corporate Secretary

N.I. Podolskaya



MINUTES No. 1
of the Annual General Meeting of Shareholders
of Open Joint Stock Company “Oil company “LUKOIL”

Full trade name of the company: *Open Joint Stock Company “Oil company “LUKOIL”*

Location of the company: *Moscow, Sretensky bulvar 11, Moscow 101000 Russian Federation*

Type of the General Meeting: *annual*

Form of the General Meeting: *a meeting (joint attendance of shareholders to discuss agenda items and take decisions on issues put to a vote) with preliminary distribution (dispatch) of ballots before the conduct of the Meeting*

Date of the General Meeting: *24 June 2004*

Place of the General Meeting: *OAO “LUKOIL”, Sretensky bulvar 11, Moscow*

Opening of the General Meeting: *11:00 a.m.*

Closing of the General Meeting: *01:50 p.m.*

Start of registration of persons entitled to participate in the General Meeting: *9:30 a.m.*

End of registration of persons entitled to participate in the General Meeting (upon closing the discussion of the last item on the agenda): *01: 35 p.m.*

Start of counting votes: *01:40 p.m.*

Postal address to which completed ballots had been sent: *OAO Registrator NIKoil, 3-ya ulitsa Yamskogo Polya 28, Moscow 125993, Russian Federation*

Date of preparation of the Minutes: *8 July 2004*

Item 5 on the agenda. On the remuneration and compensation of expenses to the members of the Board of Directors and the Audit Commission of OAO “LUKOIL”.

Resolution for voting on Item 5 on the agenda:

...

5.2. Establish the amounts of remuneration and the types of expenses for newly elected members of the Board of Directors and the Audit Commission for which members of the Board of Directors and Audit Commission shall be compensated in accordance with the Appendix hereto.

...

Decision taken on Item 5 on the agenda, point 5.2:

Establish the amounts of remuneration and the types of expenses for newly elected members of the Board of Directors and the Audit Commission for which members of the Board of Directors and Audit Commission shall be compensated in accordance with the Appendix hereto.

Chairman of the Meeting

V.I.Grayfer

Secretary of the Meeting

S.N.Malyukov

I hereby certify that this is a true and accurate excerpt from Minutes No.1
Corporate Secretary

N.I. Podolskaya

Appendix to decision on Item 5 (point 5.2,) on the agenda of the Annual General Meeting of Shareholders of Open Joint Stock Company "Oil company "LUKOIL" of 24 June 2004 (Minutes No.1)

...

4. To establish the following types of expenses for which members of the Board of Directors and Audit Commission shall be compensated during the term of performance of their duties:

- expenses related to travel to the site of the meeting of the Board of Directors and from the site of the meeting to their point of destination, and related to their stay at the site of the meeting;

- expenses related to travel to the site of the audit and/or meeting of the Audit Commission and from the site of the audit and/or meeting to their point of destination, and related to their stay at the site of the audit and/or meeting;

- expenses related to participating in a meeting of the Board of Directors by telephone, using a teleconferencing system, dispatching a written opinion, and also related to absentee voting;

- expenses related to the performance by members of the Board of Directors of their functions in the periods between meetings;

- expenses related to engaging consultants and experts and obtaining the relevant opinions on issues of the activity of the Board of Directors in aggregate not exceeding the amount of funds planned for these purposes in the budget of the Company;

- expenses of persons, accompanying a member of the Board of Directors during the performance thereby of the functions of a member of the Board of Directors (translator, consultant, administrative assistant), or representatives of the member of the Board of Directors on issues related to the activity of the Board of Directors, in the amount of actual documented expenses, not more than one person (support staff or representative) for each trip related to the activity of the member of the Board of Directors.

...

**OPINION
OF THE AUDIT COMMISSION OF PJSC “LUKOIL”
BASED ON THE AUDIT OF THE ANNUAL ACCOUNTING (FINANCIAL)
STATEMENTS OF PJSC “LUKOIL” FOR 2017**

“15” May 2018

Moscow

1. INTRODUCTION

The Audit Commission of PJSC “LUKOIL” elected by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 21 June 2017 (Minutes No. 1) and comprised of:

The Chairman of the Audit Commission	Suloev Pavel Alexandrovich
Members of the Audit Commission:	Surkov Alexander Viktorovich, Vrublevskiy Ivan Nikolaevich,

based on its authority and being guided by:

– Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies” (with amendments and addenda);

– the Regulation of the Central Bank of the Russian Federation No. 454-P of 30 December 2014 “On disclosing of information by issuers of issuable securities” (with amendments and addenda);

– the Charter of the Public Joint Stock Company “Oil Company “LUKOIL”;

– the Regulations on the Audit Commission of OAO “LUKOIL” approved by the Annual General Shareholders Meeting of OAO “LUKOIL” on 27 June 2002 (Minutes No. 1), with amendments thereto approved by the Annual General Shareholders Meetings of OAO “LUKOIL” on 26 June 2003 (Minutes No. 1) and 28 June 2006 (Minutes No. 1),

has reviewed the financial and business activity of PJSC “LUKOIL” (hereinafter also the “Company”) for 2017, as well as its annual accounting (financial) statements for 2017 (hereinafter also the “Review”).

No requests for extraordinary reviews of the financial and business activity were received by the Audit Commission of PJSC “LUKOIL” during the reporting period as provided for by the effective Russian legislation.

No failures to provide documentation on the financial and business activity of the Company to the Audit Commission of PJSC “LUKOIL” by members of the Company’s management bodies were identified during the Review.

The Audit Commission of PJSC “LUKOIL” conducted the Review in accordance with the Audit Program (Minutes No. 3 of the Meeting of the Audit Commission of PJSC “LUKOIL” of 15 March 2018).

Results of the Review documented in the Act of Acceptance and the present Opinion have been considered and unanimously approved by all members of the Audit Commission of PJSC “LUKOIL” (Minutes No.4 of the Meeting of the Audit Commission of PJSC “LUKOIL” of 15 May 2018).

The goals of the Review were as follows:

- to obtain sufficient objective evidence that the Company’s financial and business activity was carried out in accordance with the Company’s interests and the interests of its shareholders, management decisions were taken and implemented in accordance with Russian laws, key regulations and requirements for management and internal control at PJSC “LUKOIL”;
- to obtain sufficient objective evidence that the Company’s financial results reported in PJSC “LUKOIL” annual accounting (financial) statements prepared in accordance with the effective regulatory requirements fairly present to the users of the financial statements the Company’s financial position as at 31 December 2017 and its financial performance and cash flows for the year then ended.

Management of PJSC “LUKOIL” is responsible for carrying out the financial and business activity in the interests of the Company and in the interests of its shareholders, complying with the effective laws of the Russian Federation, as well as for providing fair data, reports and reporting.

The Audit Commission of PJSC “LUKOIL” is responsible for providing PJSC “LUKOIL”, represented by its supreme governing body, namely the General Shareholders Meeting of PJSC “LUKOIL”, with an objective opinion regarding the fairness, in all material respects, of PJSC “LUKOIL” annual accounting (financial) statements for 2017, the integrity of assets, the amount of net profit and the observance by the Company of the applicable laws of the Russian Federation.

II. REVIEW PROCEDURE AND ANALYTICAL WORK

The review had several stages, combining both current and follow-up control procedures.

At the final stage the Audit Commission of PJSC “LUKOIL”, through random sampling and testing of evidence supporting figures included in the Company’s annual financial statements for 2017 and analyzing information on the Company’s financial and business activity, based on the sufficient and objective analysis of the information, data and documents provided for review, formed an opinion and appraised the fairness of the provided annual accounting (financial) statements of PJSC “LUKOIL” for 2017 prepared in accordance with the effective reporting rules of the Russian Federation.

III. CONCLUSIONS

According to the opinion of the Audit Commission of PJSC “LUKOIL”, the Review of information, data and documents obtained is sufficient to provide a basis for making the conclusions.

1. The Audit Commission of PJSC “LUKOIL” has not identified any violations of the Company’s interests or interests of its shareholders or PJSC “LUKOIL” key regulations on management and internal control or the applicable Russian laws in the Company’s financial and business activity.

2. The Audit Commission of PJSC “LUKOIL” confirms that the annual accounting (financial) statements of PJSC “LUKOIL” for 2017 are fair, i.e. fairly present, in all material respects, assets and liabilities of the Company as at 31 December 2017, the Company’s financial performance and cash flows for 2017 based on the requirements of the effective accounting and reporting legislation of the Russian Federation and the Accounting Policy of PJSC “LUKOIL” for 2017.

As at 31 December 2017 the Company’s net assets amounted to RUB 1,354,926,516 thousand.

The net profit of PJSC “LUKOIL” for 2017 amounted to RUB 204,363,706 thousand.

Chairman of the Audit Commission:

P.A. Suloev

Members of the Audit Commission:

A.V. Surkov

I.N. Vrublevskiy

**OPINION
OF THE AUDIT COMMISSION OF PJSC “LUKOIL”
BASED ON THE AUDIT OF THE ANNUAL REPORT
OF PJSC “LUKOIL” FOR 2017**

“15” May 2018

Moscow

1. INTRODUCTION

The Audit Commission of PJSC “LUKOIL” elected by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 21 June 2017 (Minutes No. 1) and comprised of:

The Chairman of the Audit Commission	Suloev Pavel Alexandrovich
Members of the Audit Commission:	Surkov Alexander Viktorovich, Vrublevskiy Ivan Nikolaevich,

based on its authority and being guided by:

- Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies” (with amendments and addenda);
- the Regulation of the Central Bank of the Russian Federation No. 454-P of 30 December 2014 “On disclosing of information by issuers of issuable securities” (with amendments and addenda);
- the Code of Corporate Governance approved by Letter of the Central Bank of Russia No. 06-52/2463 of 10 April 2014;
- the Charter of the Public Joint Stock Company “Oil Company “LUKOIL”;
- the Regulations on the Audit Commission of OAO “LUKOIL” approved by the Annual General Shareholders Meeting of OAO “LUKOIL” on 27 June 2002 (Minutes No. 1), with amendments thereto approved by the Annual General Shareholders Meetings of OAO “LUKOIL” on 26 June 2003 (Minutes No. 1) and 28 June 2006 (Minutes No. 1),

has reviewed the Annual Report of PJSC “LUKOIL” for 2017.

No requests for extraordinary reviews of the financial and business activity were received by the Audit Commission of PJSC “LUKOIL” during the reporting period as provided for by the effective Russian legislation.

No failures to provide documentation on the financial and business activity of PJSC “LUKOIL” (hereinafter also the “Company”) to the Audit

Commission of PJSC “LUKOIL” by members of the Company’s management bodies were identified during the review.

The Audit Commission reviewed the Annual Report of PJSC “LUKOIL” for 2017 in accordance with the Audit Program (Minutes No. 3 of the Meeting of the Audit Commission of PJSC “LUKOIL” of 15 March 2018).

Results of reviewing the Annual Report of PJSC “LUKOIL” for 2017 documented in the Act of Acceptance and the present Opinion have been considered and unanimously approved by all members of the Audit Commission of PJSC “LUKOIL” (Minutes No. 4 of the Meeting of the Audit Commission of PJSC “LUKOIL” of 15 May 2018).

The goals of reviewing the Annual Report of PJSC “LUKOIL” for 2017 were as follows:

- to obtain sufficient objective evidence that the Company’s financial and business activity was carried out in accordance with the Company’s interests and the interests of its shareholders, management decisions were taken and implemented in accordance with Russian laws, key regulations and requirements for management and internal control at PJSC “LUKOIL”;

- to obtain sufficient objective evidence that the data included in the Annual Report of PJSC “LUKOIL” for 2017 present fairly, in all material respects, disclosures that must be made in accordance with the requirements established by Russian regulators.

Management of the Company is responsible for ensuring compliance with the effective RF legislation and providing fair data, reports and reporting.

The Audit Commission of PJSC “LUKOIL” is responsible for providing PJSC “LUKOIL”, represented by its supreme governance body, namely the General Shareholders Meeting of PJSC “LUKOIL”, with an objective opinion confirming that the data contained in the Annual Report of PJSC “LUKOIL” for 2017 is fair in all material respects, and the Company complied with the RF legislation, key regulations and requirements for management and internal control at PJSC “LUKOIL”.

II. REVIEW PROCEDURE AND ANALYTICAL WORK

The review had several stages, combining both current and follow-up control procedures.

At the final stage the Audit Commission of PJSC “LUKOIL”, through random sampling and testing of evidence supporting metrics and data included in the Annual Report of PJSC “LUKOIL” for 2017, based on the sufficient and

objective analysis of the information, data and documents provided for review, formed an opinion and appraised the fairness of the Annual Report of PJSC “LUKOIL” for 2017 prepared in accordance with the disclosure requirements established by Russian Federation regulators.

III. CONCLUSIONS

According to the opinion of the Audit Commission of PJSC “LUKOIL”, the review of information, data and documents obtained is sufficient to provide a basis for making the conclusions.

1. The Audit Commission of PJSC “LUKOIL” has not identified any violations of the Company’s interests or interests of its shareholders, or PJSC “LUKOIL” key regulations on management and internal control, or the applicable Russian Federation laws in the Company’s financial and business activity.

2. The Audit Commission of PJSC “LUKOIL” confirms that the Annual Report of PJSC “LUKOIL” for 2017 is fair, i.e. presents, in all material respects, data required to be disclosed in accordance with the requirements set by Russian regulators.

Chairman of the Audit Commission:

P.A. Suloev

Members of the Audit Commission:

A.V. Surkov

I.N. Vrublevskiy

OPINION
OF THE AUDIT COMMISSION OF PJSC “LUKOIL”
BASED ON THE AUDIT OF THE DATA CONTAINED IN THE REPORT
ON INTERESTED PARTY TRANSACTIONS ENTERED INTO BY PJSC
«LUKOIL» IN 2017

“15” May 2018

Moscow

1. INTRODUCTION

The Audit Commission of PJSC “LUKOIL” elected by decision of the Annual General Shareholders Meeting of PJSC “LUKOIL” of 21 June 2017 (Minutes No. 1) and comprised of:

The Chairman of the Audit Commission	Suloev Pavel Alexandrovich
Members of the Audit Commission:	Surkov Alexander Viktorovich, Vrublevskiy Ivan Nikolaevich,

based on its authority and being guided by:

– Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies” (with amendments and addenda);

– the Charter of the Public Joint Stock Company “Oil Company “LUKOIL”;

– the Regulations on the Audit Commission of OAO “LUKOIL” approved by the Annual General Shareholders Meeting of OAO “LUKOIL” on 27 June 2002 (Minutes No.1), with amendments thereto approved by the Annual General Shareholders Meetings of OAO “LUKOIL” on 26 June 2003 (Minutes No.1) and 28 June 2006 (Minutes No.1),

has reviewed the *Report on Interested Party Transactions Entered into by PJSC «LUKOIL» in 2017* (hereinafter also the “Report”).

The Audit Commission of PJSC “LUKOIL” certifies that the Report has been prepared in pursuance of requirements of Clause 1.1, Article 81 of Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies”.

The Audit Commission of PJSC “LUKOIL” reviewed the Report in accordance with the Audit Program (Minutes No. 3 of the Meeting of the Audit Commission of PJSC “LUKOIL” of 15 March 2018).

Results of the review documented in the Act of Acceptance and the present Opinion have been considered and unanimously approved by all members of the Audit Commission of PJSC “LUKOIL” (Minutes No. 6 of the Meeting of the Audit Commission of PJSC “LUKOIL” of 15 May 2018).

The goals of reviewing the Report were as follows:

– to obtain sufficient objective evidence that PJSC “LUKOIL” (hereinafter also the “Company”) complied with the norms of the RF legislation, the Charter and internal documents of PJSC “LUKOIL” in part of obtaining consent on interested-party transactions contained in the *Report on Interested Party Transactions Entered into by PJSC «LUKOIL» in 2017*, and reflecting all data envisaged by Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies” in decisions of a relevant governing body of the Company (hereinafter also the “Law”);

– to obtain sufficient objective evidence that the data contained in the *Report on Interested Party Transactions Entered into by PJSC «LUKOIL» in 2017* presents fairly, in all material respects, information on interested-party transactions concluded by PJSC “LUKOIL” during 2017.

Management of the Company is responsible for ensuring compliance with the effective RF legislation and providing fair data, reports and reporting.

The Audit Commission of PJSC “LUKOIL” is responsible for providing the Company, represented by its supreme governing body, namely the General Shareholders Meeting of PJSC “LUKOIL”, with an objective opinion confirming that the data contained in the Report are fair in all material respects, and that the Company complied with the procedure for performing the interested-party transactions.

II. REVIEW PROCEDURE AND ANALYTICAL WORK

By objectively analyzing information and documents supplied, the Audit Commission of PJSC “LUKOIL” has checked the grounds for designating transactions contained in the Report as interested-party transactions, and verified conformity of key terms and conditions of interested-party transactions entered into by the Company during 2017 with information on transactions documented in the decisions of the Board of Directors and the Annual and Extraordinary General Shareholders Meetings of PJSC “LUKOIL”.

The Audit Commission of PJSC “LUKOIL” notes that PJSC “LUKOIL” has the procedures in place necessary for identifying interested-party transactions for the purpose of submitting them for consideration to a relevant governing body of the Company, i.e. the Board of Directors or the General Shareholders Meeting of PJSC “LUKOIL”, for taking a decision on giving consent to conduct the said transactions.

To review the Report, the sampling analysis of the Company’s appropriate documents including documents on conducted transactions was applied.

The Audit Commission found that in respect of the interested-party transactions entered into by the Company in 2017, decisions on giving consent to conduct such transactions were made by the authorized governing bodies of PJSC “LUKOIL”.

Decisions on giving consent to conduct interested-party transactions taken by the Board of Directors, the Annual and Extraordinary General Shareholders Meetings of PJSC “LUKOIL” contain information on transactions in strict compliance with the requirements of the Law.

The Audit Commission of PJSC “LUKOIL” confirms that the amount of each of the transactions where decisions on consent to perform the transactions were taken by the Board of Directors of PJSC “LUKOIL” in pursuance of Chapter 11 of Law exceeds RUB 1 billion (with the limit for transaction amount established by The Bank of Russia Directive No. 4335-Ou of 31 March 2017; if exceeded, the relevant transactions of the Company in 2017 were recognized as interested-party transactions) but is less than 10 per cent of the book value of the Company’s assets as of the relevant accounting (financial) statements reporting date.

The value of the transaction that was given consent to by the Annual General Shareholders Meeting of PJSC “LUKOIL” was also less than 10 per cent of the book value of the Company’s assets as of the relevant accounting (financial) statements reporting date. However, it was submitted for the consideration of the Company’s General Shareholders Meeting based on Clause 3.1, Article 83 of the Law, as all the members of the Board of Directors of PJSC “LUKOIL” are recognized as interested parties with respect to this transaction and are deemed beneficiaries thereunder.

A transaction was submitted to the Extraordinary General Shareholders Meeting of PJSC “LUKOIL” based on Clause 4, Article 83 of the Law as the value of the property being the subject of the transaction exceeded 10 percent of the book value of the Company’s assets as of the relevant accounting (financial) statements reporting date.

III. CONCLUSIONS

According to the Opinion of the Audit Commission, the review of information and documents obtained is sufficient to provide a basis for making the following conclusions:

1. The Audit Commission has ascertained that the Company complied with the norms of Federal Law No. 208-FZ of 26 December 1995 “On Joint Stock Companies”, the Charter and internal documents of PJSC “LUKOIL” in respect of getting consent to conduct interested-party transactions, reflecting all data required by the Law in decisions of a relevant governing body of the Company, and verifying conformity of key terms and conditions of interested-party transactions entered into by the Company during 2017 with information on transactions documented in the decisions of the Board of Directors, and the Annual and Extraordinary General Shareholders Meetings of PJSC “LUKOIL”.

2. The Audit Commission confirms that the data contained in the *Report on Interested Party Transactions Entered into by PJSC «LUKOIL» in 2017* are fair.

Chairman of the Audit Commission:

P.A. Suloev

Members of the Audit Commission:

A.V. Surkov

I.N. Vrublevskiy



Independent Auditors' Report

**on the financial statements
of the Public Joint Stock Company
“Oil company “LUKOIL”
for the 2017 reporting year**



Independent Auditors' Report

To the shareholders of the Public Joint Stock Company “Oil company “LUKOIL”

Opinion

We have audited the financial statements of the Public Joint Stock Company “Oil company “LUKOIL” (the “Company”), which comprise the balance sheet as at 31 December 2017, the statements of financial performance, changes in equity and cash flows for the year then ended, and notes to the balance sheet and the statement of financial performance comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with the requirements of Russian reporting legislation (“RAS”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the independence requirements that are relevant to our audit of the financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most

Audited entity: PJSC “LUKOIL”
Registration No. in the Unified State Register of Legal Entities:
1027700035769.
Moscow, Russia

Independent auditor: JSC “KPMG”, a company incorporated under the Laws of the Russian Federation and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities:
1027700125628.

Member of the Self-Regulated Organization of Auditors “Russian Union of Auditors” (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organizations: No. 11603053203.



significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the Company's Financial Investments for Potential Impairment	
See Note 2.4.4 "Financial Investments" to the financial statements.	
Key Audit Matter	Audit Procedures Relating to a Key Audit Matter
<p>At the reporting date, the Company had significant financial investments in its subsidiaries and other related parties. For financial investments whose current market value cannot be determined, PBU 19/02 "Accounting for Financial Investments" requires impairment to be recognized if there are conditions for a sustainable decline in the value.</p> <p>The Company monitors whether there are conditions for a sustainable decline in the value of financial investments on a regular basis. Should such conditions be identified, the Company performs impairment testing of its financial investments. To determine economic benefits expected to be derived from such financial investments, the Company makes use of, among others, models of discounted estimated cash flows.</p> <p>Given uncertainty inherent in projecting and discounting of estimated cash flows which serve as a basis for recoverability assessment, this matter reflects one of the key areas involving professional judgment and is one of most significance in our audit.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none"> – analysis of the Company's accounting policy as regards identification of conditions for a sustainable decline in value; – analysis of facts supporting a sustainable decline in the value of financial investments; – analysis of the approach used to determine the estimated value to confirm whether it complies with the adopted methodology; – tests of budgeting procedures, subsequently used for projecting purposes, at the Company level; – tests of strategy principles and methodology applied in discounted cash flow models. <p>We engaged our subject matter experts to analyze assumptions and methodology used by the Company. We assessed macroeconomic assumptions used by the Company's management, including price and sales volume growth rates, post-projection growth rates, inflation rates and discount rates.</p> <p>We compared the value of future economic benefits with the book value of financial investments to determine whether it is necessary to make a provision for impairment of financial investments in the financial statements.</p>



Other Information

Management is responsible for the other information. The other information comprises the information included in the 2017 Annual Report but does not include the financial statements and our auditors' report thereon. The 2017 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with RAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,



forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

A.I. Oussov
JSC "KPMG"
Moscow, Russia
16 March 2018

**Assessment of the Independent Auditors' opinion
performed by the Audit Committee of the Board of Directors of PJSC "LUKOIL"**

MINUTES No. 2
OF THE MEETING OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

10 April 2018
Start of the meeting: 11.00 a.m.

Moscow

E X C E R P T No. KA2/10-04-18/B1/1

CHAIRING THE MEETING:	V.V. Blazheev
PRESENT:	
Committee members	
By video-conferencing	I. Pictet
Chairman of the Board of Directors	V.I. Grayfer
Chairman of the Audit Commission	P.A. Suloev
Vice-Presidents	S.N. Malyukov, I.A. MaslyaeV
Chief Accountant	V.A. Verkhov
KPMG Partner	A.I. Oussov
Corporate Secretary	N.I. Podolskaya
Company employees in charge	

Prior to the Audit Committee meeting, Committee member Igor Sergeevich Ivanov has submitted his Written Opinion Forms voting in favour of all of the agenda items (attached).
The Committee meeting is being held with the attendance of two Committee members.
The meeting is quorate.

**I. Assessment of the Independent Auditors' opinion for subsequent submission to shareholders
as materials for the Annual General Shareholders Meeting**

(V.A. Verkhov, V.I. Grayfer, I. Pictet, V.V. Blazheev)

RESOLVED:

Having considered the report of the Company's independent Auditor, JSC KPMG, on the accounting (financial) statements of PJSC "LUKOIL" for 2017, based on the result of the analysis and the discussion of issues of material importance to the preparation of complete and reliable financial statements, and also in light of the fact that the audit of the accounting (financial) statements of PJSC "LUKOIL" for the period from 1 January to 31 December 2017 resulted in an unqualified audit opinion, to propose to the Board of Directors that it recommend to the Annual General Shareholders Meeting of the Company that the Meeting approve the audited accounting (financial) statements of the Company for 2017 and include the Independent Auditors' Opinion examined by the Audit Committee of the Board of Directors of PJSC "LUKOIL" in the list of materials to be provided to shareholders when preparing for the General Shareholders Meeting.

VOTING RESULTS (votes counted by the Chairman):
IN FAVOR voted the following Committee members: V.V. Blazheev, I.S. Ivanov, I. Pictet
Decision passed unanimously.

Chairman

I hereby certify that this is a true and accurate excerpt from Minutes No.2 of 10 April 2018
Corporate Secretary


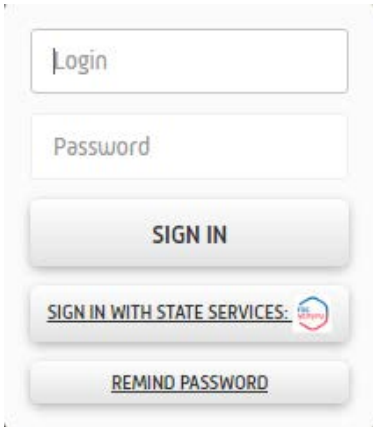
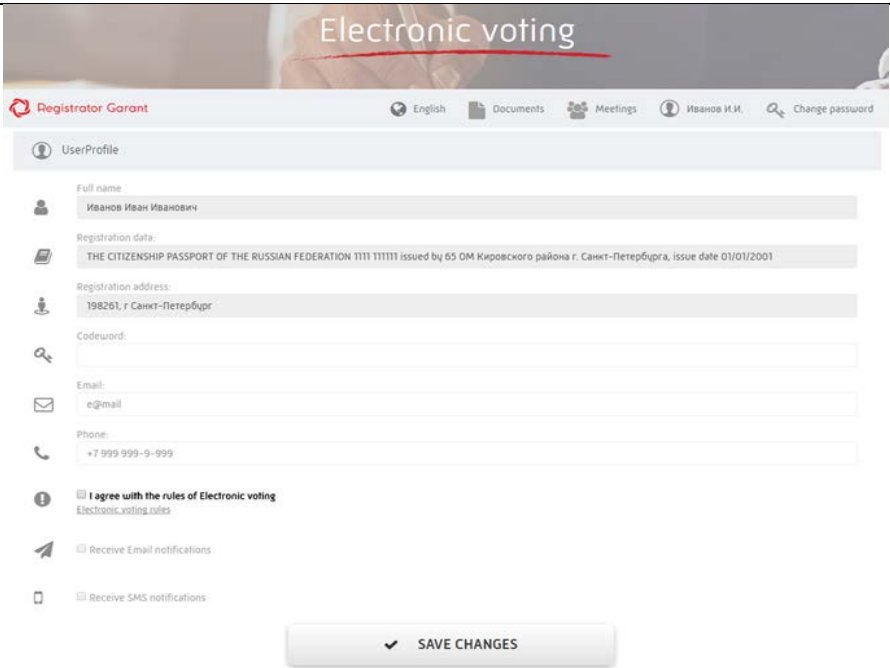
V.V. Blazheev

N.I. Podolskaya

**Instructions for shareholders of PJSC “LUKOIL”
using the electronic voting solution
for the Annual General Shareholders Meeting of PJSC “LUKOIL”**

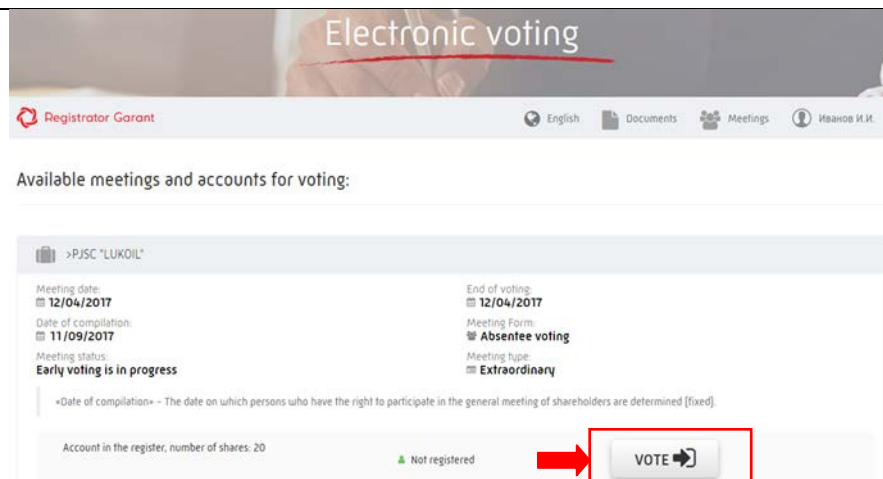
Please be informed that access for completing electronic voting ballots shall be granted from 29 May 2018 to the shareholders who register their title to shares in the Company’s shareholder register, while shareholders who are clients of nominee holders shall be granted access after the said nominee holders provide OOO Registrator Garant, the company keeping the Company’s Shareholder Register, with information on persons entitled to participate in the Annual General Shareholders Meeting of PJSC “LUKOIL”.

To use the e-voting service:

<p>1. Follow the link: https://evoting.reggarant.ru/Voting/Lk</p> <p style="text-align: center;">or</p> <p>use the QR code to reach the website immediately.</p>	
<p>2. On the opening page, choose your preferred identification method: - via your <i>certified</i> account at the Public Services Portal (https://gosuslugi.ru); - using your credentials issued by OOO «Registrator «Garant».</p> <p>If you are a registered user of the Shareholder’s Personal Account service, please use your credentials to enter.</p>	
<p>3. Check the relevant box to confirm that you agree with the e-voting rules. (<i>This is mandatory to continue using the Service</i>).</p> <p>4. To receive notifications on the progress of the General Shareholders’ Meeting and on the voting results please provide your mobile phone number and/or email address and check <i>Email Notifications</i> and/or <i>Text (SMS) Notifications</i> boxes and confirm your mobile phone number by pressing “Confirm”.</p> <p>5. Save changes.</p>	

If you have any questions regarding the E-voting Service, please contact
OOO «Registrator «Garant»: call +7 800 500 29 47 or email: evoting@reggarant.ru.

6. In the List of Meetings section, choose the available meeting and click on the VOTE button to proceed to the ballot.



7. On the electronic voting ballot page:

7.1. Read the Meeting agenda, resolutions on agenda items that have been put to the vote, and information (reference materials) for the Meeting;

7.2. Click to choose the voting option ("FOR," "AGAINST," "ABSTAIN") on each item on the agenda;

7.3. Click on the VOTE button.



Recommended specifications:

PC

OS: Windows 7 and higher

Browser: Google Chrome 61+

Channel throughput: 10Mb and higher

Mobile devices:

OS: Android 4.2 and higher, IOS

Browser: Google Chrome, Safari

Display resolution: 1280x720 pixels and more

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OOO «Registrator «Garant»: call +7 800 500 29 47 or email: evoting@reggarant.ru.