

**Approved
by the Board of Directors of
OAO “LUKOIL” on 29 August 2003
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by the Board of Directors of
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**REGULATIONS
ON THE DIVIDEND POLICY OF
OAO “LUKOIL”**

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1. GENERAL PROVISIONS

- 1.1. The *Regulations on the Dividend Policy of OAO "LUKOIL"* (hereinafter the "Regulations") have been prepared in accordance with the effective legislation of the Russian Federation, the Charter of OAO "LUKOIL" (hereinafter also the Company) and its internal statutes in order to determine the strategy of the Board of Directors of the Company when developing recommendations on the size of dividends on shares and the procedure for their payment.
- 1.2. The dividend policy of the Company is based on a balance of the interests of the Company and its shareholders, on increasing the investment appeal of the Company and its capitalization, on respect and strict compliance with the shareholder rights stipulated by effective legislation of the Russian Federation, the Charter of the Company and its internal documents.

2. MAIN TERMS FOR THE PAYMENT OF DIVIDENDS TO THE SHAREHOLDERS OF OAO "LUKOIL"

- 2.1. OAO "LUKOIL" shall strive, in parallel with increases in capitalization, to increase the size of dividends payable to shareholders, proceeding from the size of net profits received based on the results of the first quarter, six and nine months of the financial year and (or) results of the financial year (hereinafter, the reporting period) and the requirements for developing the production and investment activities of the company.
- 2.2. The following shall be the terms for the payment of dividends to the shareholders of OAO "LUKOIL":
- 1) The Company earns net profits for the reporting period to be determined pursuant to points 3.1 and 3.2 of these Regulations;
 - 2) There shall be no restrictions on dividend payments stipulated by article 43 of the Federal Law *On Joint Stock Companies*;
 - 3) The recommendation of the Board of Directors of the Company on the size of dividends on shares and the procedure for their payment, and also on setting the date on which persons entitled to receive dividends will be determined;
 - 4) Decision of the General Shareholder Meeting of the Company.

3. DETERMINATION OF THE SIZE OF DIVIDENDS

- 3.1. Pursuant to the requirements of Russian legislation, dividends shall be paid to shareholders of OAO "LUKOIL" from the net profits of the Company, calculated on the basis of financial statements prepared in accordance with the requirements of Russian legislation.
- 3.2. When determining the size of the dividend (per share) to be recommended to the General Shareholder Meeting and the corresponding share of the net profits of the Company to be directed to dividend payments, the Board of Directors of the Company shall proceed on the basis of the following: the amount of resources to be directed to dividend payments should amount to not less than 15% of the net profits determined on the basis of the consolidated financial statements of OAO "LUKOIL" prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP) or International Financial Reporting Standards (IFRS) and re-calculated in roubles at the RF Central Bank exchange rate as at the end of the reporting period.
- 3.3. The size of the recommended dividend (per share) of the Company shall be determined proceeding from the amount of the resources to be directed to dividend payments and equal to the rouble amount of the share of net profits for the reporting period and calculated pursuant to point 3.2 of these Regulations, divided by the number of Company shares placed and outstanding.

4. PROCEDURE FOR DECISIONS ON THE PAYMENT OF DIVIDENDS

- 4.1. The issue of the possible payment of dividends based on performance in the reporting period shall initially be considered by the Strategy and Investment Committee of the Board of Directors, proceeding from the financial results and existing proposals of the Company's structural divisions on the size of dividends.
- 4.2. On the basis of the proposals of the Strategy and Investment Committee of the Board of Directors, the Board of Directors of the Company shall consider the main areas of the distribution of profits and determine the share of profits that it is advisable to use for dividend payments. In making its decision, the Board of Directors of the Company shall be guided by section 3 of these Regulations.
- 4.3. In compliance with effective legislation, the recommendation of the Board of Directors of the Company on the size of dividends based on performance in the reporting period and procedure for their payment, and also on setting the date on which persons entitled to receive dividends will be determined, shall be submitted to shareholders for adoption by the latter of a final decision at the General Shareholder Meeting.

4.4. The decision to pay (declare) dividends stipulating *inter alia* their size, method of payment, and the date on which persons entitled to receive dividends will be determined shall be taken by the Company's General Shareholder Meeting. The size of dividends may not be more than the size recommended by the Board of Directors of the Company.

5. DIVIDEND PAYMENT PROCEDURE

5.1. The date on which persons entitled to receive dividends are determined shall be set by the decision of the General Shareholders Meeting of the Company on the payment (declaration) of dividends only on the proposal of the Board of Directors in accordance with the procedure stipulated by the effective legislation of the Russian Federation.

5.2. Dividend payments to nominee shareholders and trust managers who are registered in the Company's shareholder register shall be made within 10 business days, and to other persons registered in the Company's shareholder register within 25 business days after the date on which the persons entitled to receive dividends are determined.

5.3. The Company and its executive bodies shall ensure the timely and complete payment of dividends to shareholders.

5.4. A dividend payment in cash to individuals whose rights to shares are accounted by the shareholder register of the Company shall be made by postal transfers or, provided there is a relevant request of the said individuals, by transfer to their bank accounts; and to other individuals whose rights to shares are accounted by the shareholder register of the Company, by transfer to their bank accounts.

The persons entitled to receive dividends whose rights to shares are accounted for by a nominee shareholder shall receive dividend payment in cash in accordance with the procedure stipulated by the legislation of the Russian Federation on securities.

5.5. Dividends shall be paid in the declared amount.

5.6. The Company's obligation to pay dividends shall be deemed performed from the date of receipt of the funds to be wire-transferred by the organization of the federal postal service or from the date of receipt of the funds by the credit institution where a bank account of the person entitled to such dividends was opened.

5.7. Dividends shall be paid in cash, and in cases stipulated by the Company Charter – by other property.

5.8. The Company may involve a payment agent and a technical executor to arrange for the regular

and timely payment of dividends.

5.9. Payable dividends shall be taxed pursuant to the procedure stipulated by the effective legislation of the Russian Federation.

6. NOTIFICATION OF SHAREHOLDERS ON THE DIVIDEND POLICY OF OAO “LUKOIL”

6.1. The Company shall publish the *Regulations on the Dividend Policy of OAO “LUKOIL”* and changes thereto in the periodical publication stipulated by the Charter of the Company to publish reports on the conduct of General Shareholder Meetings, and/or shall place reports on the Company’s Internet website.

6.2. Materials to be submitted to shareholders for decisions at the General Shareholder Meeting should contain all the necessary information certifying the existence or absence of criteria required for dividend payments.

6.3. In order to ensure timely payment of dividends, in the Notice of the Meeting the Company informs shareholders of their obligation to notify the Company Registrar keeping the Company’s shareholder register of changes to their shareholder file including banking details and postal addresses, and also on the implications of their failure to comply with this obligation. The failure of the individuals registered in the Company’s shareholder register to submit data on changes to their details makes neither the Company nor the Registrar liable for the loss resulting from such failure.

7. APPROVAL AND AMENDMENT OF THE REGULATIONS

7.1. These *Regulations* and all amendments and addenda hereto shall be approved by the Board of Directors of OAO “LUKOIL”.

7.2. If, following changes to the legislation of the Russian Federation or the Company Charter, certain provisions of these Regulations become inconsistent with the former, such provisions shall become invalid. Until relevant amendments are made to these Regulations, it is necessary to be guided by the legislation of the Russian Federation or the Company Charter.