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|-------------------|---|
| B #: | 9002-18 |
| Date: | June 27, 2018 |
| To: | All Participants |
| Category: | Dividends |
| From: | International Services |
| Attention: | Operations, Reorg & Dividend Managers, Partners & Cashiers |
| Subject: | <u>Tax Relief</u> – Country: RUSSIAN FEDERATION Issue Name: PJSC LUKOIL CUSIP: 69343P105 <u>Record Date: 07/11/2018 Payable Date: TBD</u> <u>CA Web Instruction Deadline : 07/16/2018 8:00 P.M. ET</u> <u>Quick Refund Deadline: 08/22/2018 8:00 P.M. ET</u> |

Participants can use DTC’s Corporate Actions Web (CA Web) service to certify all or a portion of their position entitled to the applicable withholding tax rate. Participants are urged to consult TaxInfo respectively before certifying their instructions over the CA Web.

Important: Prior to certifying tax withholding instructions, participants are urged to read, understand and comply with the information in the Legal Conditions category found on TaxInfo on the CA Web.

Questions regarding this Important Notice may be directed to GlobeTax 212-747-9100.

Important Legal Information: *The Depository Trust Company (“DTC”) does not represent or warrant the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of the information contained in this communication, which is based in part on information obtained from third parties and not independently verified by DTC and which is provided as is. The information contained in this communication is not intended to be a substitute for obtaining tax advice from an appropriate professional advisor. In providing this communication, DTC shall not be liable for (1) any loss resulting directly or indirectly from mistakes, errors, omissions, interruptions, delays or defects in such communication, unless caused directly by gross negligence or willful misconduct on the part of DTC, and (2) any special, consequential, exemplary, incidental or punitive damages.*

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice and accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.

DTCC offers enhanced access to all important notices via a Web-based subscription service. The notification system leverages RSS Newsfeeds, providing significant benefits including real-time updates and customizable delivery. To learn more and to set up your own DTCC RSS alerts, visit http://www.dtcc.com/subscription_form.php.

Non-Confidential

PJSC Lukoil has announced a dividend and Citibank, N.A. acts as Depository for the Depository Receipt (“DR”) program.

Participants can use DTC’s Corporate Action Web (“CA Web”) instructions tab to certify all or a portion of their position entitled to the applicable rate as per Double Tax Treaty (“DTT”) and Russian Tax Rate. Use of CA Web will permit entitlement amounts to be paid through DTC. By electing,



On DR Pay Date, holders **that disclose summary beneficial owner information may be eligible** to receive the applicable rate as per a relevant Double Tax Treaty or Russian Tax Rate. All non-disclosed holders will receive this dividend net of a maximum 15% withholding rate.

There are **changes to withholding rates** for Depository Receipts with a **Russian payable date after January 1, 2015**.

The punitive withholding rate of 30% that existed on Russian DRs with payable dates from January 1, 2014 – December 31, 2014 was abolished and the new statutory rate is 15%. In order to obtain a more preferential rate than the 15% maximum withholding tax rate, beneficial holder residency Disclosure is required on DRs held as of record date. This disclosure includes:

- a) DTT country of residence, entity type by individual or legal, and DRs held

While the punitive rate has been abolished the requirement for disclosure has not been abolished. Therefore, Citibank, N.A. is requesting summary disclosure at the 15% rate for those holders not eligible for a DTT rate or not claiming a DTT rate. Consequences potentially arising from non-disclosure are unclear and Participants and beneficial holders bear all risk and responsibility related to such potential consequences. If disclosure is not made, tax will be withheld at the maximum 15% tax rate.

| DIVIDEND EVENT DETAILS | |
|--|---|
| COUNTRY OF ISSUANCE | RUSSIAN FEDERATION |
| ISSUE | PJSC LUKOIL |
| CUSIP# | 69343P105 |
| UNDERLYING ISIN | RU0009024277 |
| DEPOSITARY | CITIBANK |
| DR RECORD DATE | JULY 11, 2018 |
| DR PAY DATE | TBA |
| ORD GROSS DIVIDEND RATE | RUB 130.00 |
| RATIO (DR:ORD) | 1:1 |
| STATUTORY WITHHOLDING RATE | 15% |
|  | DOUBLE CLICK ICON BELOW TO DOWNLOAD  |

PLEASE NOTE THAT THERE IS THE POTENTIAL FOR AUDIT ON YOUR DRs

Current regulations provide that the Russian authorities may audit the electing participants and their beneficial owner clients who elect a lower withholding rate than the 15% rate for up to three calendar years after the dividend payment.

For beneficial owners (investors having actual right to receive income) electing to invoke the benefits of a Double Tax Treaty, at a minimum, audits are expected to require an original Certificate of Residency (“COR”) with specific language in referencing the double tax treaty between the country of residence and the Russian Federation. These CORs, will need to be translated into Russian and each will need to be Apostilled, Legalized or notarized (as applicable).

The law provides that the documentation requested under audit to substantiate the claims made is required to be provided to the tax authorities within 90 days of the audit notice. An additional 90 day extension may be requested however, the Russian Tax authorities reserve the right to reject the extension or grant it in whole or in part. Additionally, the Russian authorities reserve the right at any time and from time to time to request additional documentation to substantiate all claims made.

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| FEES & DEADLINES | | | | |
|-----------------------------|--------------------------------------|----------------|----------------------|---------------------------------|
| FILING METHOD | BATCH | PAYMENT METHOD | DSC FEE* | FINAL SUBMISSION DEADLINE (ESP) |
| RELIEF AT SOURCE | PAYMENT ON PAY DATE | VIA DTC | UP TO \$0.005 PER DR | 07/16/2018 8:00 P.M. EST |
| QUICK REFUND | IMMEDIATELY FOLLOWING DR PAY DATE | VIA DTC | UP TO \$0.005 PER DR | 08/22/2018 8:00 P.M. EST |

* A CAP OF 40% OF THE USD RECLAIM WILL BE IMPLEMENTED ON THE DSC FEE WHERE APPLICABLE *

ELIGIBILITY MATRIX – RELIEF AT SOURCE/QUICK REFUND

| RATE DESCRIPTION | RECLAIM RATE | ELIGIBLE RESIDENTS | | DOCUMENTATION REQUIRED |
|-------------------------------|--------------|---|---|---|
| EXEMPT - 0% | 15% | <p style="text-align: center;">RUSSIAN UNIT INVESTMENT TRUSTS</p> <p style="text-align: center;">SUPRANATIONAL / WORLD EXEMPT ENTITY</p> <p style="text-align: center;">SOVEREIGN / GOVERNMENT ENTITY</p> <p>NOTE: SOVEREIGN AND / OR SUPRANATIONAL ENTITIES ARE GRANTED EXEMPTION ON A CASE BY CASE BASIS AT THE DISCRETION OF THE RUSSIAN CUSTODIAN BANK OR ISSUER. ACCORDINGLY, NEITHER GLOBETAX NOR THE DEPOSITARY CAN ENSURE EXEMPTION WILL BE GRANTED. THESE ENTITIES MUST BE DISCLOSED AT THE BENEFICIAL OWNER LEVEL.</p> | | <ol style="list-style-type: none"> 1. COVER LETTER – SCANNED COPY 2. SUMMARY 3. EXHIBIT C – CONDITIONAL RATE REQUEST |
| DTT - 5% | 10% | DISCLOSED AND APPLYING FOR THE DTT RATE OF: | KUWAIT, QATAR, SAUDI ARABIA | <ol style="list-style-type: none"> 1. COVER LETTER – SCANNED COPY 2. SUMMARY |
| DTT - 10% | 5% | DISCLOSED AND APPLYING FOR THE DTT RATE OF: | <p>ALBANIA, ARMENIA, AZERBAIJAN, BELGIUM, BOSTWANA, CHILE, CHINA, CROATIA, CYPRUS, CZECH REPUBLIC, DENMARK, EGYPT, GREECE, HUNGARY, INDIA, IRAN, IRELAND, ISRAEL, ITALY, KAZAKHSTAN, DEMOCRATIC PEOPLE’S REPUBLIC OF KOREA, REPUBLIC OF KOREA, KYRGYZSTAN, LATVIA, LEBANON, LITHUANIA, MACEDONIA, MALTA, MEXICO, MOLDOVA, MONGOLIA, MOROCCO, NAMIBIA, NORWAY, POLAND, SINGAPORE, SLOVAKIA, SLOVENIA, TAJIKISTAN, TURKEY, TURKMENISTAN, UNITED KINGDOM, UNITED STATES OF AMERICA, UZBEKISTAN</p> | <ol style="list-style-type: none"> 1. COVER LETTER – SCANNED COPY 2. SUMMARY |
| DTT- 12% | 3% | DISCLOSED AND APPLYING FOR THE DTT RATE OF: | FINLAND | <ol style="list-style-type: none"> 1. COVER LETTER – SCANNED COPY 2. SUMMARY |
| RUSSIAN TAX RATE - 13% | 2% | DISCLOSED AND APPLYING FOR THE TAX RATE OF: | RUSSIAN FEDERATION | <ol style="list-style-type: none"> 1. COVER LETTER – SCANNED COPY 2. SUMMARY |

| | | | |
|---|-----------|--|--|
| <p>DISCLOSED STATUTORY WITHHOLDING RATE - 15%</p> | <p>0%</p> | <p>DISCLOSED HOLDERS OF DTT COUNTRIES NOT APPLYING FOR DTT RATES OR DISCLOSED HOLDERS OF NON DTT COUNTRIES</p> | <p>1. COVER LETTER – SCANNED COPY 2. SUMMARY</p> |
| <p>NON-DISCLOSURE/ STATUTORY WITHHOLDING RATE- 15%</p> | <p>0%</p> | <p>NON-DISCLOSED HOLDERS</p> | <p>*NONE</p> |

Note: All documents listed in [BLUE font](#) are generated by GlobeTax's ESP website after submission of beneficial owner data.

* Other entities may be eligible for the 0% withholding rate. In the case that you believe your client is entitled to the 0% withholding rate please contact GlobeTax for more information.

Note: There are some countries with double taxation treaties with the Russian Federation that have multiple withholding rates. The lower reclaim rate applies to the Relief at source and quick refund process. The higher reclaim rates generally apply to conditional situations (i.e. holding a minimum amount of outstanding shares or a special entity type). For more information please contact GlobeTax.

PROCESS STEPS

- Go to <https://esp.globetax.com/> and disclose your ultimate beneficial owners by
 - Country of Tax Residence
 - Entity Type (either legal entity or individual)
 - Withholding Rate
- Sign the ESP generated cover letter and summary and email scanned copy to GlobeTax
- Use the ESP generated share summary at applicable rate as per treaty to complete your withholding rate certification at DTC's CA Web

IMPORTANT: TO RECEIVE YOUR DIVIDEND WITH APPLICABLE RATE AS PER TREATY YOU MUST BOTH COMPLETE THE DISCLOSURE TO GLOBETAX AND A CORRESPONDING CA WEB CERTIFICATION AT DTC.

ESP

powered by **GLOBETAX**

Citibank offers ESP powered by GlobeTax, an electronic withholding tax submission system. This system allows for the secure and simplified transfer of beneficial owner level data from the Participant to Citibank and creates applicable documentation on the Participants behalf.

Submit the data online through the web site below, print out the document on letterhead, sign, and email a scanned copy to GlobeTax at RussiaESP@globetax.com.

These claims should be submitted through the following web site. (Requires a one-time registration)

<https://ESP.GlobeTax.com>

Please contact support@globetax.com at 212-747-9100 if you have any questions about this process.

CONTACT DETAILS




| | |
|----------------------|--|
| PRIMARY CONTACT | NICOLE BRODIE |
| DOMESTIC PHONE (.S.) | 1-800-628-4646 |
| DOMESTIC FAX (U.S.) | 1-800-633-4646 |
| INTERNATIONAL PHONE | 1-212-747-9100 |
| INTERNATIONAL FAX | 1-212-747-0029 |
| GROUP EMAIL | RUSSIAESP@GLOBETAX.COM |
| COMPANY | GLOBETAX SERVICES INC. |
| STREET ADDRESS | ONE NEW YORK PLAZA, 34 TH FLOOR |
| CITY/STATE/ZIP | NEW YORK, NY 10004 |
| ADDITIONAL CONTACTS | DIANA CAMEJO |

FREQUENTLY ASKED QUESTIONS (FAQs)

| | |
|---|--|
| <p>Do I need to provide a certificate of residency (“COR”)?</p> | <p>For relief at source and quick refund processes, the ESP generated forms will be required at the time of election. However, CORs will be required in the event of an audit for those disclosing for treaty benefits and you will be liable to maintain and provide these in that event. It is expected that CORs must be translated into Russian and apostilled, legalized or notarized and that they must be issued as of the calendar year.</p> |
| <p>Would a form W-8BEN or a W-9 suffice in place of a COR as proof of residency in case of audit?</p> | <p>No. A W-8BEN or W-9 form will not be accepted in place of a COR.</p> |
| <p>Is it required to use ESP to disclose?</p> | <p>If you are not able to utilize the ESP system please contact GlobeTax to obtain copies of the ESP forms to submit manually.</p> |
| <p>Why should I complete the ESP disclosure before elections at DTC?</p> | <p>The ESP system will provide clients with an aggregate of their disclosed DRs by withholding maximum tax treaty and statutory rate. This information should be used to make your DTC elections by withholding rate as per treaty.</p> |
| <p>Is there a difference between the relief at source and quick refund?</p> | <p>The process steps are the same for both processes. However, the relief at source period is shorter and involves payment of your dividend with tax relief on pay date. The quick refund is a longer period for submission and will involve payment of your tax relief after pay date. Both payments are electronic.</p> |
| <p>Is there opportunity for standard refund?</p> | <p>At this time there is no defined standard refund. Please contact GlobeTax for additional information.</p> |
| <p>Is it possible for me to disclose ownership of the DRs for 15% withholding even if the country of tax residence has a DTT?</p> | <p>Yes. You may indicate the shares by country of residence to disclose ownership residency but not obtain treaty benefits.</p> |
| <p>Can residents of a DTT country with an entity type considered transparent disclose their DRs to receive the dividend at the double tax treaty rate?</p> | <p>The DRs of transparent entities should be disclosed at the ultimate beneficial holder level. Always check the specifics of the relevant tax treaty to ensure you are properly disclosing the DRs of the entity and country of tax residence with respect to the Russian Federation.</p> |
| <p>Will Citibank/GlobeTax accept claims filed directly to them by beneficial owners?</p> | <p>Citibank/GlobeTax only accepts claims filed by the DTC Participant who held the securities through DTC and only to the extent that the DTC has reported these holdings to us as valid.</p> |

FORMS AND ATTACHMENTS

**Double click on respective icon to view attachment.*

| COVER LETTER <i>**For Non-ESP users ONLY</i> | COVER LETTER EXCEL BREAKDOWN <i>**For Non-ESP users ONLY</i> | CONDITIONAL RATES BREAKDOWN |
|--|--|--|
|  CITI Cover Letter |  Exhibit B |  Exhibit C |

DISCLAIMER

The tax relief service is being made available to owners of Depositary Receipts (DRs) on a voluntary and discretionary basis outside the terms and conditions of any applicable deposit agreement. Nothing contained herein or in any accompanying documents is intended to constitute any guarantee of entitlement to any tax relief, nor legal, tax, accounting or other professional advice on the referenced matters. Citigroup Global Markets Deutschland AG in its capacity as depositary for the DRs (Depositary) and Citibank, N.A. as DR Servicer disclaims any liability for the failure to secure any tax relief and for any loss that may be incurred in connection with the tax relief service.

By submitting a request for tax relief you certify that you have obtained (and have directed each of the beneficial owners of DRs that you represent to seek) independent tax advice, that each of the beneficial owners identified is eligible for the stated preferential rates, that you have performed all requisite diligence to verify the accuracy of the information submitted on behalf of the beneficial owners of the DRs, that you have obtained the requisite supporting documentation, including certificates of tax residency (translated to Russian, duly notarized and apostilled or legalized), and that you (and the beneficial owners of DRs that you represent) understand that the tax relief process is subject to review, approval and audit, that you (and the beneficial owners of DRs that you represent) will cooperate with the Depositary and DR Servicer the fullest extent permitted by applicable law with any requests for information or proof as a result of any review, approval or audit by any tax authority, tax withholding agent (including, without limitation, any custodian or paying agent), and that you (and the beneficial owners of DRs that you represent) are fully liable for any and all claims, penalties and/or interest associated with the tax relief process, including without limitation, any foreign exchange fluctuations associated therewith.

By submitting a request for tax relief you expressly agree on behalf of yourself (and on behalf of each beneficial owner of DRs that you represent) to indemnify the Depositary, DR Servicer and their agents and affiliates, and to defend and hold each of them harmless, from and against any and all loss, liability, damage, judgment, settlement, fine, penalty, demand, claim, cost or expense (including, without limitation, fees and expenses of defending itself or enforcing the terms hereof) arising out of, or in connection with, the tax relief service made available to you and each beneficial owner that you represent (including, without limitation, as a result of the reliance by the Depositary, DR Servicer and their agents and affiliates on the information and certifications provided to it).

By submitting a request for tax relief you accept and agree to pay the fees, charges (including VAT) and expenses of, or incurred by, the Depositary, DR Servicer, its agents (including any custodian) and the tax authorities in connection with the tax relief service, that such fees, charges and expenses may be billed to you or deducted from any distribution made by the Depositary and DR Servicer (in their discretion), that such fees, charges and expenses are due and payable whether or not the tax relief is obtained in full or in part, and that any fees paid to the Depositary and DR Servicer may be shared with its agents and affiliates.