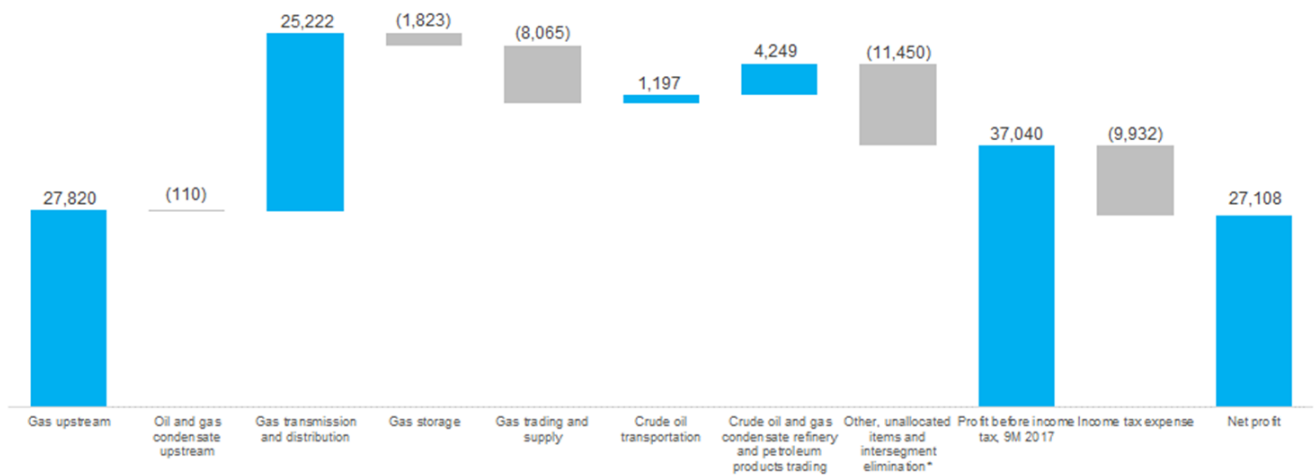




The Group shows a net profit of UAH 27.1 bln for the 9 months of 2017 that is 15% higher than for the same period of 2016

Gas upstream, gas transportation and gas distribution segments contributed mainly to the net profit of Naftogaz Group. Net profit increase also resulted from increased results from gas upstream and gas transportation and distribution segments. Consolidated interim financial statements are available [here](#).

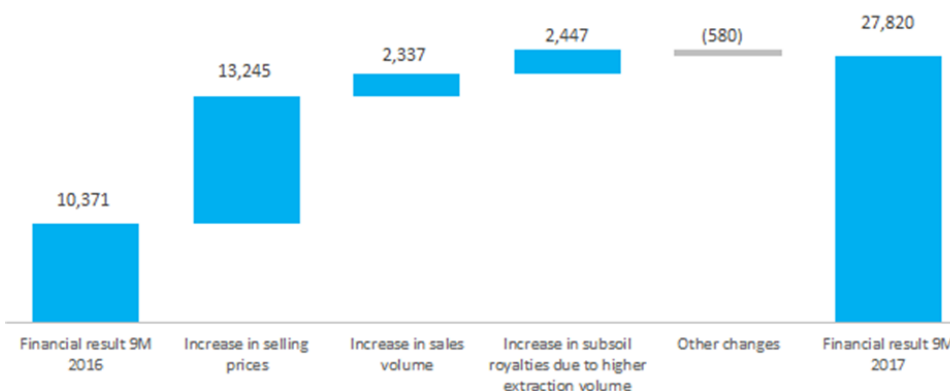
NAFTOGAZ'S NET PROFIT STRUCTURE FOR THE 9 MONTHS 2017 BY SEGMENTS, UAH MLN



Gas upstream

Ukrigasvydobuvannia continued improving its production performance and showed gas extraction increase by 425 mcm (+4%).

GAS UPSTREAM SEGMENT RESULT

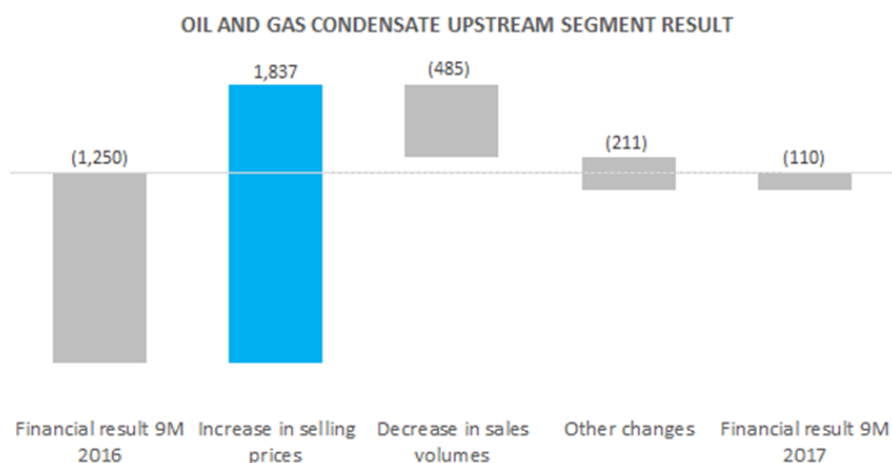


Revenues in gas upstream segment made UAH 50.6 billion during the nine months of 2017, or 45% higher comparing to the same period of 2016. Results for the 9 months of 2017 do not contain gas sales transactions within the

joint operations agreement between Ukrigasvydobuvannia and Misen Enterprises AB and Carpatygas LLC, as this agreement is under cancellation procedure. Segment result was UAH 27.8 billion compared to UAH 10.4 billion for the nine months of 2016. Increase in Ukrigasvydobuvannia's gas selling price of to the level of import parity starting from 1 May 2016 contributed mainly to the increase in segment result, pursuant to the amended public service obligations Resolution #315 dated 27 April 2016.

*including eliminations of intersegment sales and unrealised profits of UAH 10.5 billion in total

Oil and gas condensate upstream

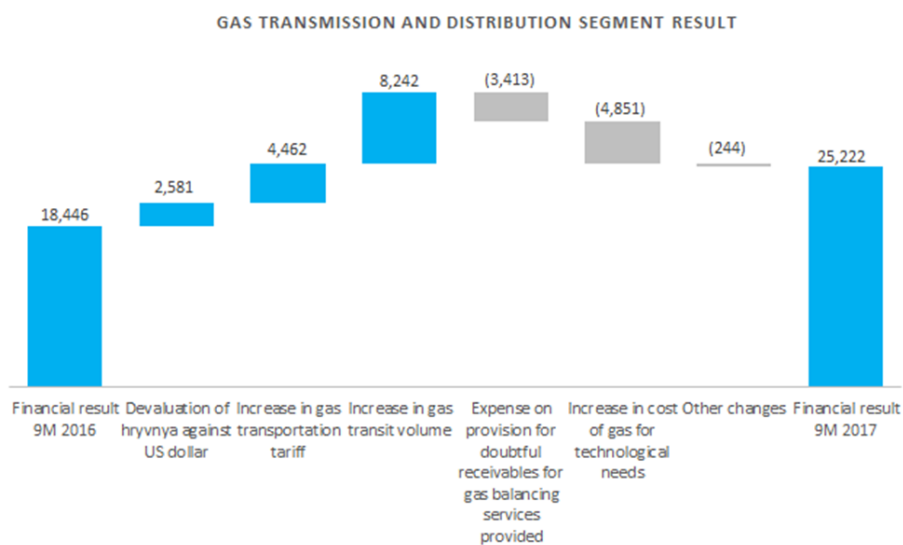


The group produced 1,509 thousand tonnes of oil and gas condensate during the nine months of 2017, that is 6% lower than volume produced during the nine months of 2016. This decrease resulted from higher level of reserves with complex production conditions, together with lack of new large oil reserves.

Revenues in this segment were UAH 9.8 billion that is 16% higher compared to the nine months 2016. Segment resulted in loss of UAH 0.1 billion, showing 91% improvement as compared to the nine months of 2016. Such positive changes are attributable to the impacts of world crude oil price raise.

Gas transmission and distribution

Volume of gas transmission during the nine months of 2017 was 89 bcm that is 15% higher comparing to prior period.



Revenues in this segment were 46% higher than during the nine months of 2016. This change was driven by increase of gas transit and gas balancing services volumes, Ukrainian hryvnia devaluation against US dollar. At the same time, this segment faced respective increase in costs related to bad debt provision for gas balancing receivables and cost of gas for technological

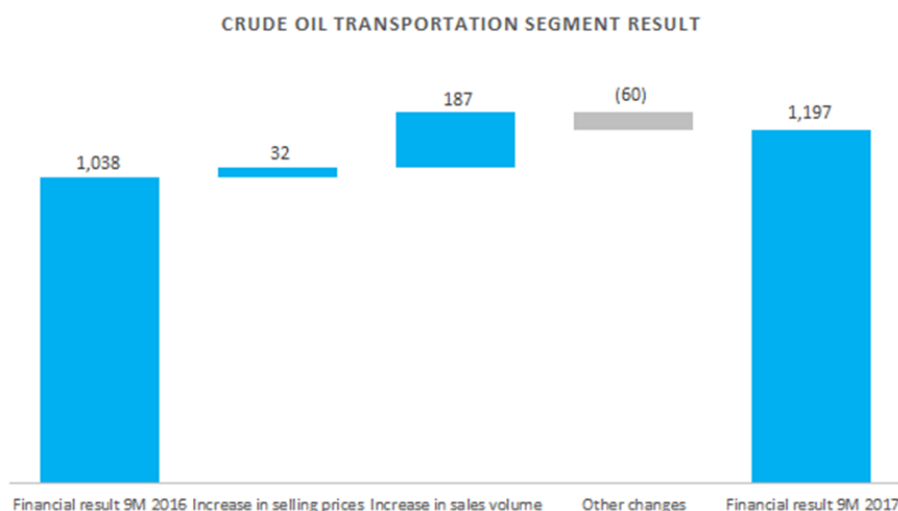
needs. As a result, segment contributed a profit of UAH 25.2 billion, showing 37% higher results as compared to the same period of 2016.

Gas storage

Segment revenues remained at the same level as in the same period of 2016.

Segment loss for the nine months of 2017 was UAH 1.8 billion or 7% down comparing to the nine months of 2016, as came out from the gas storage tariffs below the economically justified level, increased staff costs and seasonal volatility in gas volumes injection and pumping out services.

Crude oil transportation

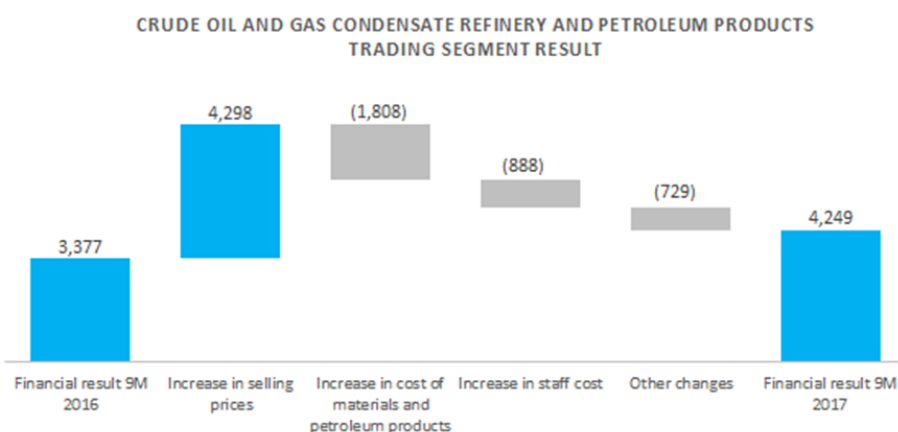


The volume of crude oil transportation during the nine months 2017 was 11.9 million tonnes or 7% higher than for the same period of 2016. This increase was driven mainly by launching a new oil transportation route Odessa-Kremenchuk oil refinery in March 2017*.

Revenues in this segment were UAH 2.7 billion or 9% higher than in the prior period. Segment result

improved and reached UAH 1.2 billion profit comparing to UAH 1 billion profit in the prior period, mainly due to higher crude oil transportation volume.

Crude oil and gas condensate refinery



Total volume of crude oil and gas condensate refinery and petroleum products trading amounted to 1.3 million tonnes that is 6% higher comparing to the same period of 2016.

Revenues in this segment amounted to UAH 15.4 bln that is 47% higher than in the prior period. Segment profit amounted to UAH 4.2 bln compared to

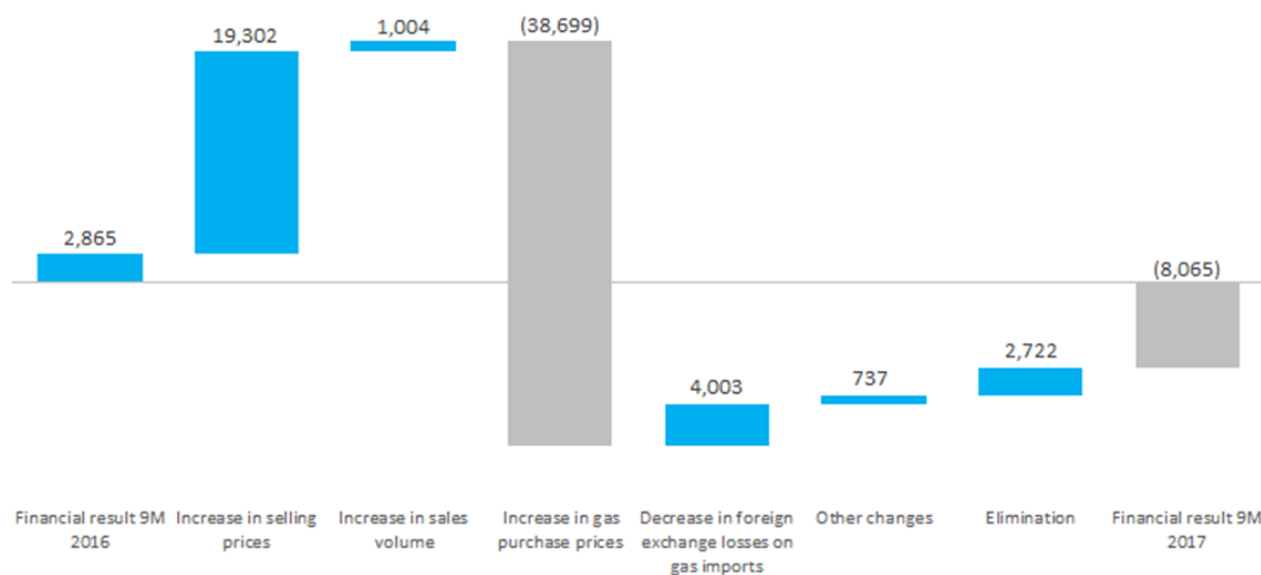
UAH 3.4 billion profit in the prior period. Increase in revenues and segment profit were driven by higher market prices on petroleum products and LPG in 2017.

Gas trading and supply

Gas sales volume during the nine months 2017 were 13.9 bcm (including 2.5 bcm of gas sales to the Group companies), that is 2% higher comparing to the same period in 2016.

* At the end of 2016 Ukrtransnafta PJSC and Kremenchuk oil refinery negotiated renewal of Odessa-Kremenchuk oil refinery oil transportation route with annual capacity of 1.3 million tonnes. Ukrtransnafta completed technical works in the first quarter 2017, and oil transportation launched.

GAS TRADING AND SUPPLY SEGMENT RESULT



Naftogaz continued performing public service obligations (PSO) in respect of buying gas of domestic production from UkrGasvydobuvannya and its further resale to certain groups of customers at regulated prices**. Naftogaz complies with PSO imposed by the government in full despite losses received from these operations and accumulated significant outstanding receivables from customers.

Total segment loss amounted to UAH 8.1 bln, including loss from gas sales to PSO customers of UAH 10.9 bln.

Gas sales to customers other than PSO are performed at prices set discretionary by Naftogaz depending on the market conditions. This group of customers contributed profit to the segment of UAH 0.1 bln, excluding effect of intersegment elimination of UAH 2.7 bln.

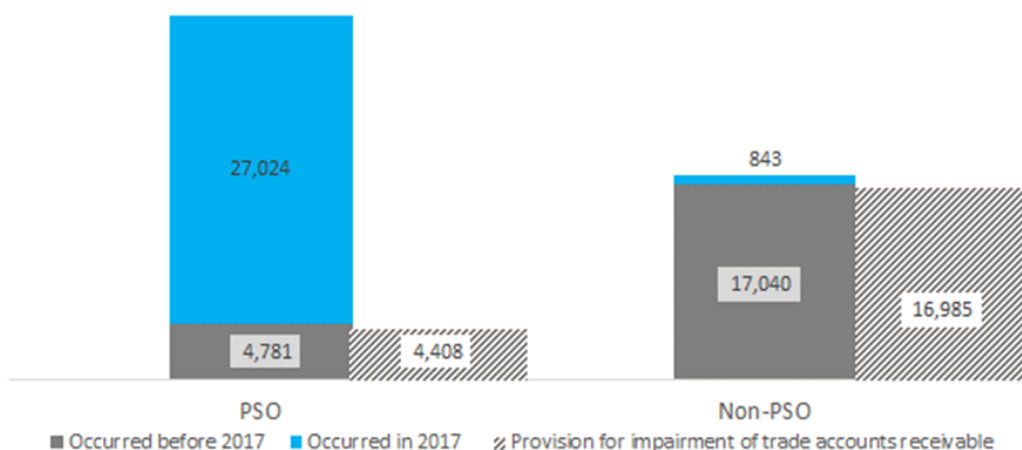
***Gas supplies to households, religious organisations, district heating companies for heat produced to households and religious organisations, and starting from 23 December 2016 – to budget financed entities. Resolution issued by the Cabinet of Ministers of Ukraine #187 dated 22 March 2017 on imposing public service obligations for the period from 1 April 2017 to 1 April 2018*

| UAH mln | External sales | Gross (loss) / profit | (Loss) / profit before income tax |
|--------------|----------------|-----------------------|-----------------------------------|
| PSO | 54,037 | (5,230) | (10,914) |
| Non-PSO | 3,236 | 544 | 127 |
| Total | 57,273 | (1,964) | (8,065) |

Gross amount of trade accounts receivable for the nine months of 2017 decreased by UAH 7.5 bln, as a result of partial settlements by district heating companies producing heat for the needs of households. This decrease related to the seasonal gaps in gas consumption and payments in by subsidies performed the state that impacted the level of debts settlements to Naftogaz. Out of total receivables from non-PSO customers, overdue receivables incurred before 2017 make 95%, whereas such receivables for the PSO customers stay at the level of only 15%. Total amount of provision for impaired receivables remained almost at the same level, assuming no significant changes in the total value of doubtful receivables.

| Group of consumers | Trade accounts receivable, gross amount, UAH mln | | | Provision for impairment, UAH mln | | |
|--|--|---------------|-------------|-----------------------------------|----------------|------------|
| | 30.09.2017 | 31.12.2016 | Change | 30.09.2017 | 31.12.2016 | Change |
| District heating companies for the needs of households | 8,652 | 14,145 | -39% | -2,904 | -3,085 | -6% |
| Regional gas distribution companies for resale to households | 20,782 | 21,796 | -5% | -129 | -176 | -27% |
| District heating companies for the needs of budget entities | 996 | 1,497 | -33% | - | - | - |
| Odessa Port Plant | 1,375 | 1,375 | 0% | -1,375 | -1,375 | 0% |
| Total public service obligations performance | 31,805 | 38,813 | -18% | -4,408 | -4,636 | -5% |
| District heating companies for the needs of other customers | 6,969 | 7,244 | -4% | -6,573 | -6,464 | 2% |
| Regional gas distribution companies for resale to other customers | 265 | 293 | -10% | -251 | -202 | 24% |
| Industrial and other customers | 10,653 | 10,808 | -1% | -10,161 | -10,205 | 0% |
| Total performance of gas trading at non-regulated prices for the needs of other customers | 17,887 | 18,345 | -2% | -16,985 | -16,871 | 1% |
| Total | 49,692 | 57,158 | -13% | -21,393 | -21,507 | -1% |

TRADE ACCOUNTS RECEIVABLE AGEING STRUCTURE AND PROVISION



Subsidies

Total volume of subsidies consumed during the 9 months of 2017 was UAH 42.8 bln that is 101% higher than in the same period of 2016 due to increased cost of goods and services being subsidised and higher number of grantees. Major part of subsidies were used by households (65%) and district heating companies producing heat for households (24%). As at 1 October 2017 outstanding amount of subsidies due to Naftogaz from the State amounted to UAH 9.8 bln.

Taxes and payments to the budget

During the 9 months of 2017 Naftogaz Group paid UAH 78.1 bln in taxes, that is 78% higher than for the same period of 2016. VAT contributed the highest share in this amount – 45.5% during the 9 months of 2017 (45.7% for the 9 months of 2016). Subsoil royalties for gas, oil and gas condensate made up 37% of total taxes paid (same share as for the 9 months of 2016).

In addition, Naftogaz Group has paid UAH 13.3 bln in dividends and UAH 2.4 bln in prepayment of corporate income tax to the State budget.

In total, dividends and taxes paid to the State budget by Naftogaz Group exceeded UAH 91.4 bln during the 9 months of 2017.