

Joint Stock Company “Concern Galnaftogaz”**Consolidated cash flow statement**

For the year ended 31 December 2004

(In thousands of Ukrainian hryvnia, unless otherwise noted)

	2004	2003
Cash flows from operating activities		
Profit before income tax and minority interest	27,952	12,623
Adjustments for:		
Depreciation, amortisation and impairment	14,499	9,665
(Gain)/loss on disposal of property, plant and equipment	(4,315)	1,331
Impairment on property, plant and equipment	473	267
Impairment on trade and other receivables	1,373	-
Income from associates	(3,307)	(989)
Bonds amortisation	-	162
Interest expense, net	5,908	4,998
Foreign currency exchange (gain)/loss	(335)	4
Operating profit before changes in working capital	42,248	28,061
Increase in inventories	(12,667)	(2,793)
Increase in trade and other receivables	(25,885)	(17,548)
Increase in prepayments and other current assets	(23,829)	(10,801)
Increase in trade and other payables	45,407	20,875
(Decrease)/increase in other current liabilities	(6,474)	3,269
Cash flows generated from operations	18,800	21,063
Income taxes paid	(2,977)	(913)
<i>Net cash from operating activities</i>	15,823	20,150
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired (Note)	(4,113)	(8,875)
Purchases of property, plant and equipment	(61,735)	(102,852)
Purchases of intangible assets	(100)	(6,608)
Proceeds from sale of equipment	4,776	3,621
Proceeds from sale of investments	42,852	46,015
Purchase of investments	(44,236)	(62,539)
Interest received	30	-
<i>Net cash used in investing activities</i>	(62,526)	(131,238)
Cash flows from financing activities		
Proceeds from issue of shares and additional paid-in capital	13,300	60,563
Proceeds from long-term borrowings	88,407	102,302
Proceeds from short-term borrowings	30,210	26,640
Repayments of long-term borrowings	(36,109)	(45,669)
Repayments of short-term borrowings	(30,267)	(23,836)
Issued loan	-	(19,196)
Proceeds from repayment of loan	-	19,196
Interest paid	(14,798)	(4,942)
<i>Net cash provided by financing activities</i>	50,743	115,058
Net increase in cash and cash equivalents	4,040	3,970
Cash and cash equivalents at the beginning of the year	9,308	5,338
Cash and cash equivalents at the end of the year (Note)	13,348	9,308

SUPPLEMENTARY CASH FLOWS INFORMATION (Note)

The consolidated cash flows statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements.